

STANDARD AGREEMENT

STD 213 (Rev 06/03)

AGREEMENT NUMBER C1100256
REGISTRATION NUMBER

1. This Agreement is entered into between the State Agency and the Contractor named below:

STATE AGENCY'S NAME

Franchise Tax Board

CONTRACTOR'S NAME

Premiere Credit of North America, LLC

2. The term of this Agreement is May 1, 2012 through April 30, 2013, with option to renew for two additional years in single year increments

3. The maximum amount of this Agreement is: \$ 200,000.00
TWO HUNDRED THOUSAND AND NO/100 DOLLARS

4. The parties agree to comply with the terms and conditions of the following exhibits, which are by this reference made a part of the Agreement.

Exhibit A - Scope, Responsibility and Performance of Work	3 pages
Exhibit B - Payment Provisions and Invoicing	8 pages
Exhibit C - General Terms and Conditions*	GTC610
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Items shown with an Asterisk are hereby incorporated by reference and made part of this agreement as if attached hereto.

*These documents can be viewed at www.ols.dgs.ca.gov/standard+language/default.htm

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

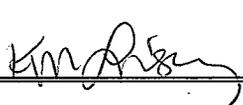
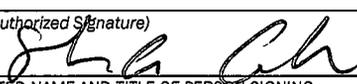
CONTRACTOR		California Department of General Services Use Only <div style="border: 2px solid black; padding: 10px; width: fit-content; margin: 0 auto;"> APPROVED MAY 15 2012 DEPT OF GENERAL SERVICES </div> <input type="checkbox"/> Exempt per: 
CONTRACTOR'S NAME (If other than an individual, state whether a corporation, partnership, etc.) Premiere Credit of North America, LLC		
BY (Authorized Signature) 	DATE SIGNED (Do not type) 4/24/12	
PRINTED NAME AND TITLE OF PERSON SIGNING Shane Archer, Operations Executive		
ADDRESS 2002 Welleslev Blvd., Indianapolis, IN 46219		
STATE OF CALIFORNIA		
AGENCY NAME Franchise Tax Board		
BY (Authorized Signature) 	DATE SIGNED (Do not type) 5/1/12	
PRINTED NAME AND TITLE OF PERSON SIGNING Lisa Garrison, Chief Financial Officer		
ADDRESS P.O. Box 2086, Rancho Cordova, CA 95741-2086		

EXHIBIT A
SCOPE, RESPONSIBILITY, AND PERFORMANCE OF WORK**A.1.0: SCOPE OF WORK**

Under the direction of the Accounts Receivable Management Division (ARMD), the Franchise Tax Board (FTB) agrees to retain and hereby does retain the Contractor for the services described herein. The Contractor agrees to furnish and perform the services as described within the respondent proposal submitted in response to RFP Number C1100104. The respondent proposal and RFP are incorporated by reference and become part of this contract.

1. The **Project Coordinators** during the term of this Agreement will be:

Franchise Tax Board

Private Debt Collection Program
Anna Beall
Phone: 916.845.6946

Franchise Tax Board

Private Debt Collection Program
Darlene Wedding
Phone: 916.845.4757
Fax: 916.843.8890

Premiere Credit of North America, LLC

Program Contact
Joseph Baquero
Phone: 317.375.6527
Fax: 317.972.6558

2. All inquiries regarding the Agreement should be directed to:

Franchise Tax Board

Procurement & Asset Management Section
Attention: Rossana Miranda MS A-374
PO Box 2086
Rancho Cordova, CA 95741-2086
Phone: 916. 845.3236
Fax: 916. 843.0496

Premiere Credit of North America, LLC

Operations Executive
Shane Archer
2002 Wellesley Blvd.
Indianapolis, IN 46219
Phone: 317.917.4850
Fax: 317.972.6558

3. The Contractor will provide all labor, materials, tools and equipment and will perform all work necessary to collect delinquent accounts receivable assigned by FTB.
4. Although the Contractor will provide extended collection services for FTB, all monies collected must be in the name of the Contractor. FTB will not issue any type of check endorsement stamps.
5. The Contractor will maintain a history of collection records and be able to produce customized reports in formats and for periods of time specified by FTB.
6. Accounts must be monitored and maintained on an automated computer system with the ability to transfer account information between the Contractor and FTB via electronic media in accordance with FTB requirements. Contractors must have the ability to update FTB accounts on the Contractor's data systems. The Contractor's information as it pertains to payments, address changes, and limited other information, as defined in the attached record layouts, must update FTB's data system automatically with minimal manual intervention.
7. The Contractor must maintain separate records, satisfactory to FTB, concerning the accounts referred to them. Such records will be available for inspection and audit without prior notice from FTB or FTB's appointed representative.
8. The Contractor will be responsible for any and all cost of the preparation for an audit of such books and records.
9. The Contractor will maintain separately and apart from all other funds, the monies received as a result of activities on accounts referred by FTB.

10. The Contractor will maintain copies of all assignment files, automated remittance files, and other significant files and records, and maintain a log and filing system, which will ensure that said files are retrievable upon request by FTB.
11. The Contractor will maintain a written record of all record layouts, testing scripts, resolved system issues and the method of resolution and any other documentation to minimize disruption of service under the Agreement in the event of personnel change during the Agreement period.
12. The Contractor will make a reasonable effort, on each and every account placed, to locate and contact the debtor, and assist the debtor in resolving the balance due through either payment in full, a reasonable installment agreement given the debtor's financial situation, or administrative resolution acceptable to FTB, and will:
 - a. Commence making reasonable efforts to locate and contact each and every debtor no later than 10 days after receipt of each and every account.
 - b. Ensure that no more than 30 days elapse between collection attempts, or the Contractor will return the account to FTB as uncollectible, not withdrawn.
 - c. Return individual accounts no later than 270 days after the original placement date unless a valid installment agreement exists on the individual account.
13. The Contractor will maintain accurate records regarding all actions taken on accounts and all records will be made available to FTB upon FTB's request.
14. The Contractor will meet with the representatives of FTB's ARMD (at Contractor's expense) weekly during implementation and monthly thereafter. The monthly meeting may be in person or by teleconference.
15. Quarterly, during the term of the Agreement, the Contractor's Project Manager and Collection Supervisor will attend a meeting of Contractors on the FTB Central Office Campus. If necessary, FTB may also require the Contractor's System Administrator or other staff to attend.
16. In case of suspension of work from any cause whatever, the Contractor will be responsible for all materials and must properly store and secure them if necessary.

A.2.0: RESPONSIBILITY AND PERFORMANCE OF WORK

A.2.1: Performance Timeframe

All performance under the Agreement must be completed on or before the termination date of the Agreement or any renewals, if granted.

A.2.2: Renewal Option

1. The State will have the option of renewing the awarded Agreement for up to two additional years in single year increments.
2. If the State exercises the option to renew for the additional year(s), an amendment will be executed annually to extend the term of the Agreement.
3. At the end of the second additional year, an additional amendment may be granted for any accounts the Contractor has in active installment agreements:
 - a. This extension of time will end 90 days from the date the last payment is received from the last debtor in an active installment agreement with the Contractor, or one year from the date the amendment is executed, whichever is earlier in time
 - b. At the end of the amendment period all accounts must be returned and no further commissions will be granted for the collection of the accounts.
4. The same terms and conditions that are contained in this Agreement will apply.
5. If FTB chooses not to exercise the renewal option, the Agreement will expire at the end of the term as stated on the Standard 213 Agreement.
6. If FTB chooses not to exercise the renewal option after the first or second year of the Agreement, no additional amendment will be granted for any accounts the Contractor has in active installment agreements, and all accounts must be returned to FTB as set out in G.1.4, Return of Accounts to FTB.

A.3.0: KEY PERSONNEL

Contractor's employees in the following positions are considered "key personnel" for the purpose of the agreement:

1. Project Manager/Alternate Project Manager
 - a. Is responsible for the overall management and coordination of the Agreement and will act as the central point of contact with FTB.
 - b. Has full authority to act for the Contractor in the performance of the required services.
 - c. Directs operational and managerial oversight of the project.
 - d. Will respond within one business day to FTB after notification of the existence of a problem.
2. Collection Supervisor – is responsible for the day-to-day oversight of collectors and collection activities performed during the course of the Agreement.
3. Systems Administrator
 - a. Is responsible for coordination and oversight of Information Technology activities performed in support of the Agreement.
 - b. Will respond within one business day to the designated FTB Information Technology contact after notification of the existence of a problem.
4. Security Administrator
 - a. Is responsible for coordination and oversight of physical and information security in support of the Agreement.
 - b. Will respond to FTB immediately in the event of a security breach or attempted security breach and provide written documentation within 24 hours.
5. Prior to diverting any of the specified individuals to other programs, the Contractor shall notify FTB 30 days in advance and shall submit justification, including proposed substitutions, in sufficient detail to permit evaluation of the impact on the program. The Contractor shall make no diversion or substitution without prior written consent of FTB.

EXHIBIT B
PAYMENT PROVISIONS AND INVOICING**B.1.0: PAYMENT PROVISIONS****B.1.1: Contractor's Costs**

1. The State will not be obligated to reimburse the Contractor for costs incurred in excess of the contracted amount.
2. The Contractor will be responsible for its own operating costs as associated with this Agreement. Operating costs include, but are not limited to, all costs such as direct labor and operating overhead, out-of-pocket expenses for travel and subsistence, subcontracting services, and all taxes, fees, bonds and insurance.

B.1.2: Collection Fees

1. The Contractor will not add fees to the referred liability. The Contractor will collect only the referred liability.
2. Collection fees will be based on the amount specified within the cost proposal worksheet.

B.1.3: Payments to Contractor

1. The Contractor must hold all monies collected on FTB's behalf in a separate account in a financial institution insured by either the Federal Deposit Insurance Corporation (if a bank) or the National Credit Union Association (if a credit union).
2. The Contractor must provide annually during the period of the Agreement, and any renewals granted under Section A.2.2 Renewal Option, a year-end accounting of all transactions in the separate account no later than July 31 for the fiscal year ending June 30.
3. The Contractor may accept and process credit card payments for MasterCard, Visa, Discover, and American Express. The Contractor may pass fees generated by the use of such cards (sometimes referred to as convenience fees) on to the debtor. Should the Contractor choose to pay such fees, the cost for this service must be included in the overall price quoted on the cost proposal worksheet.
4. If debtors pay by personal check, the Contractor will remit the funds to FTB in the first weekly remittance after the check has cleared through the bank.
5. FTB will not be responsible for personal checks that are returned to the Contractor because a financial institution did not honor them or credit card payments whose charges are later reversed by the debtor. Any attempt by the Contractor to collect such a debt must be subject to the same terms as any FTB collection account under this Agreement.
6. If the Contractor receives payment in full for an account, the Contractor must notify FTB within 24 hours to prevent automated collection action from occurring on the account while the funds are being remitted to FTB.
7. Should the Contractor fail to notify FTB of any payment in full and such failure causes a withholding order to be issued by FTB against a debtor's bank account, the Contractor will be billed for reimbursement of any bank fees or charges incurred by the debtor that FTB is required to pay.
8. The Contractor will reimburse FTB for all misapplied collections that FTB is not able to recover resulting from the Contractor's error within 45 days.
9. If a debtor has multiple tax year balances, the Contractor will not divide payments the Contractor receives equally among tax years. Instead, the Contractor will apply payments to the oldest year first and then the next oldest year until the payment amount is exhausted.

B.1.4: Payments Received By FTB

1. FTB staff will analyze all payments received by FTB on accounts assigned to the Contractor using the criteria set out in B.1.5, Compensation for Services.

2. FTB will provide the Contractor with a Direct Payment Analysis Report (DPAR) to advise the Contractor which payments received by FTB are attributable to the Contractor, and for which the Contractor is entitled to a fee.
3. Upon receipt of the DPAR, the Contractor will add each entitled payment, in its entirety, and the appropriate fee amount to the next available Weekly Payment Report to be submitted to FTB (no later than ten business days following receipt of the DPAR). See B.2.1 (e) for a description of the Weekly Payment Report.

B.1.5: Compensation for Services

1. The Contractor will be compensated for services rendered on those accounts for which collections are made in accordance with the terms of this Agreement.
2. The Contractor will not be compensated for any amounts collected in excess of the referred liability.
3. The Contractor will not be compensated for any amounts collected if it is determined that the debtor resides outside the State of California.
4. The Contractor will not be compensated for any payments made directly to FTB which are determined to be a direct result of FTB action. Payments considered to be a direct result of FTB action will include, but are not limited to, the following:
 - a. Payment is made directly to FTB before the Contractor's first contact with the debtor. The Contractor will be notified of the payment, but the fee may not be authorized.
 - b. Balance due previously paid by the debtor. These amounts include, but are not limited to, withholding credits and payments received before assignment to the Contractor, regardless of whether those credits were applied to the debtor's account prior to assignment.
 - c. Amounts paid as a result of withholding orders or other actions generated by FTB's automated system.
 - d. Payment is made directly to FTB as the result of an escrow demand received by FTB prior the Contractor's first contact with the debtor. The Contractor will be notified of the payment, but the fee may not be authorized.
 - e. Offsets from other federal, state, or government agencies.
 - f. For purposes of this section, in cases where person-to-person contact has not been made with the debtor by the Contractor, first contact is defined as:
 - An outgoing notice sent by the Contractor, provided there is no return mail on the address to which the letter was sent; or
 - A predictive dialer call or collector initiated call made by the Contractor or the Contractor's system, in which:
 - A message is left for the debtor,
 - The phone number called and the fact that a message was left for the debtor are documented in the Contractor's system; and
 - Such documentation can be made available to FTB in a written transcript upon demand.
 - Predictive dialer or collector-initiated calls in which only a busy signal is received are considered incomplete calls and will **not** be considered first contact.
5. The Contractor will not be compensated for services rendered on accounts for which no collections are made. Situations in which no collections made will include, but are not limited to, the following:
 - a. No tax, penalty, or interest liability exists.
 - b. A liability exists but the Contractor has not collected any of the amounts that are due.
 - c. The amount of the tax liability is not yet final, is in dispute, or is otherwise under appeal.
 - d. FTB cannot resolve a disputed account pursuant to Exhibit G.2.0, Case Management, G.2.4, Disputed Accounts.

B.1.6: Performance-Based Sliding Scale Compensation Formula

The following definitions apply to the Sliding Scale Compensation Formula.

Term (Acronym)	Definition
Actual Recovery Amount (ARA)	The actual amount the Contractor recovers or collects during a Contract Year (CY) on FTB accounts.
Base Commission Rate (BCR)	The BCR is the percentage rate for compensation set by the Contractor in the cost proposal worksheet
Placement Amount (PA)	The dollar value of the accounts placed with the Contractor in a given CY.
Sliding Scale Adjustment Amount (SSAA)	An amount equal to the Contractor's BCR multiplied by the amount by which the Contractor's ARA either exceeds, or falls short of, the Target Recovery Amount.
Sliding Scale Compensation Formula (SSCF)	$\frac{((ARA - (PA \times TRR)) \times BCR) + (BCR \times ARA)}{ARA} = SSCR$
Sliding Scale Compensation Rate (SSCR)	The rate of compensation the Contractor will receive if the ARA either exceeds or falls short of the TRA.
Target Recovery Amount (TRA)	The Target Recovery Amount is established by multiplying the TRR by the PA for a given CY.
Target Recovery Rate (TRR)	Percentage of dollars from the PA of each CY that the Contractor expects to recover (Total TRR - percentage of dollars from the entire PA of the Contract that the Contractor expects to collect). Total TRR and TRR are taken from the cost proposal worksheet.

1. In CY 1, the Contractor will be paid the BCR set out in the Contractor's cost proposal worksheet.
2. At the end of CY 1, FTB will compare the Contractor's ARA in CY 1 to the TRA for that year.
 - a. If the Contractor **Meets** the TRA in CY 1, compensation in CY 2 will be made at the BCR.

EXAMPLE (Contractor Meets TRA)

Placement Amount	\$62,100,000
Base Commission Rate	18%
Target Recovery Rate	4%
Actual Recovery Amount	\$2,484,000 (4%)
$\frac{((\$2,484,000 - (62,100,000 \times .04)) \times .18) + (.18 \times \$2,484,000)}{\$2,484,000}$	= 18%

In the above example the Contractor's actual recovery amount met the target recovery amount. Correspondingly, the formula results in the Contractor's compensation continuing at 18% in the following year.

- b. If the Contractor **Exceeds** the TRA in CY 1, compensation in CY 2 will be increased in accordance with the sliding scale compensation formula.

EXAMPLE (Contractor Exceeds TRA)

Placement Amount	\$62,100,000
Base Commission Rate	18%
Target Recovery Rate	4%
Actual Recovery Amount	\$2,826,000 (4.5%)
$((\$2,826,000 - (62,100,000 \times .04) \times .18) + (.18 \times \$2,826,000))$	= 20.2%
\$2,826,000	

In the above example the Contractor's actual recovery exceeded the target recovery amount. Correspondingly, the formula results in the Contractor's compensation being adjusted upward from the base of 18% to 20.2%.

- c. If the Contractor **Falls Short** of the TRA in CY 1, compensation in CY 2 will be decreased in accordance with the sliding scale compensation formula.

EXAMPLE (Contractor Falls Short of TRA)

Placement Amount	\$62,100,000
Base Commission Rate	18%
Target Recovery Rate	4%
Actual Recovery Amount	\$2,174,000 (3.5%)
$((\$2,174,000 - (62,100,000 \times .04) \times .18) + (.18 \times \$2,174,000))$	= .15.4%
\$2,174,000	

In the above example the Contractor's actual recovery amount falls short of the target recovery amount. Correspondingly, the formula results in the Contractor's compensation being adjusted downward from the base of 18% to 15.4%.

- If the Contractor fails to meet FTB's minimum requirements for customer service in CY 1 (an average quarterly score of 25 or more) as set out in F.1.5.1 Minimum Performance Requirements, the Contractor will not be eligible for an increased compensation rate in CY2.
- At the end of CY 2, FTB will compare the Contractor's ARA in CY 2 to the TRA for that year. The Contractor's compensation for CY 3 will be based on the chart on the following page:

IF	AND	THEN
Contractor Meets the TRA for CY 1	Contractor Meets TRA for CY 2	Compensation will be made at the Base Commission Rate.
Contractor Meets the TRA for CY 1	Contractor Exceeds the TRA for CY 2	Compensation will be increased in accordance with the sliding scale compensation formula.
Contractor Meets the TRA for CY 1	Contractor Falls Short of the TRA for CY 2	Compensation will be decreased in accordance with the sliding scale compensation formula.
Contractor Exceeds the TRA in CY 1	Contractor Meets the TRA for CY 2	Compensation will be made at the Sliding Scale Compensation Rate from CY 2.
Contractor Exceeds the TRA for CY 1	Contractor Exceeds the TRA for CY 2	Compensation will be increased in accordance with the sliding scale compensation formula using the Sliding Scale Compensation Rate from CY 2 in place of the Base Commission Rate.
Contractor Exceeds the TRA for CY 1	Contractor Falls Short of the TRA for CY 2	Compensation will be decreased in accordance with the sliding scale compensation formula using the Sliding Scale Compensation Rate from CY 2 in place of the Base Commission Rate.
Contractor Falls Short of the TRA for CY 1	Contractor Meets the TRA for CY 2	Compensation will be made at the Base Commission Rate.
Contractor Falls Short of the TRA for CY 1	Contractor Exceeds the TRA for CY 2	Compensation will be increased in accordance with the sliding scale compensation formula.
Contractor Falls Short of the TRA for CY 1	Contractor Falls Short of the TRA for CY 2	Compensation will be decreased in accordance with the sliding scale compensation formula.

5. If the Contractor fails to meet FTB's minimum requirements for customer service in CY 2 (an average quarterly score of 25 or more) as set out in F.1.5.1 Minimum Performance Requirements, the Contractor will not be eligible for an increased compensation rate in CY3.
6. At the end of CY 3, FTB will compare the Contractor's ARA in CY 3 to the TRA for that year. The Contractor's compensation for the residual amendment period for all accounts remaining in an active installment agreement will be based on the chart on the following page:

IF	AND	THEN
Contractor Meets the TRA for CY 2	Contractor Meets TRA for CY 3	Compensation will be made at the Base Commission Rate.
Contractor Meets the TRA for CY 2	Contractor Exceeds the TRA for CY 3	Compensation will be increased in accordance with the sliding scale compensation formula.
Contractor Meets the TRA for CY 2	Contractor Falls Short of the TRA for CY 3	Compensation will be decreased in accordance with the sliding scale compensation formula.
Contractor Exceeds the TRA in CY 2	Contractor Meets the TRA for CY 3	Compensation will be made at the Sliding Scale Compensation Rate from CY 3.
Contractor Exceeds the TRA for CY 2	Contractor Exceeds the TRA for CY 3	Compensation will be increased in accordance with the sliding scale compensation formula using the Sliding Scale Compensation Rate from CY 3 in place of the Base Commission Rate.
Contractor Exceeds the TRA for CY 2	Contractor Falls Short of the TRA for CY 3	Compensation will be decreased in accordance with the sliding scale compensation formula using the Sliding Scale Compensation Rate from CY 3 in place of the Base Commission Rate.
Contractor Falls Short of the TRA for CY 2	Contractor Meets the TRA for CY 3	Compensation will be made at the Base Commission Rate.
Contractor Falls Short of the TRA for CY 2	Contractor Exceeds the TRA for CY 3	Compensation will be increased in accordance with the sliding scale compensation formula.
Contractor Falls Short of the TRA for CY 2	Contractor Falls Short of the TRA for CY 3	Compensation will be decreased in accordance with the sliding scale compensation formula.

7. If the Contractor fails to meet FTB's minimum requirements for customer service in CY 3 (an average quarterly score of 25 or more) as set out in F.1.5.1 Minimum Performance Requirements, the Contractor will not be eligible for an increased compensation rate during the residual amendment period for all accounts remaining in an active installment agreement.
8. **In no case will the Contractor receive a sliding scale compensation rate higher than 30% or lower than 5% at any time during the period of the Agreement.**
9. FTB understands that the nature of accounts placed has a direct impact on the Contractor's ability to meet the TRA. In the event FTB is unable to provide accounts that reasonably match the "Description of Debt" contained in the debt profile, and that the nature of the debt provided could reasonably be demonstrated to have caused the Contractor's inability to meet the TRA in any given contract year, the Contractor's rate of compensation will be fixed at the amount of the Contractor's BCR for the following year.
10. At FTB's discretion and based on documentation provided by the Contractor, FTB retains the right to fix the Contractor's compensation at the amount of the BCR for the following year in the event that a natural catastrophe or significant change in the economy could reasonably be demonstrated by the Contractor to have caused the Contractor's inability to meet the TRA in any given contract year.

B.2.0: INVOICING

B.2.1: Payment/File Transmittal

1. A statement period will consist of one week, and will begin each Sunday and end each Saturday.
2. Weekly the Contractor will:
 - a. Remit to FTB all monies collected on its behalf during the statement period, even if the amounts collected exceed the correct balance due on the account. The Contractor will be compensated for services according to the provisions of the Agreement (see Exhibit B.1.5 Compensation for Services).
 - b. Create a transaction for each payment collected during the statement period, and remit the file with the transactions to FTB on each Tuesday by 2:00 p.m. PST via FTB's Secure Web Internet File Transfer (SWIFT) Service. Each transaction will report the gross payment collected from each debtor and appropriate fee that should be charged.
 - c. Submit the file containing payment information using a specific file naming convention as established by FTB. The payment information data elements are listed in Section L, L.1.0 Information Exchanges.
 - d. Remit all funds by electronic funds transfer (EFT) to FTB's bank account on each Tuesday by 2:00 p.m. PST. The Contractor will authorize their bank to initiate Automated Clearing House (ACH) credit transactions and credit FTB's bank account. The ACH credit transactions must be transmitted in the National Automated Clearing House Association (NACHA) approved Cash Concentration or Disbursement Plus Tax Payment Addenda (CCD+/TXP) Record Format as described by FTB. See example chart below. FTB will provide the Contactor with the actual format.

TXP Field #	Field Name	Field Requirement	Data Element Type	Length	Contents
	Record Type	Mandatory		1	"7"
	Addenda Type	Mandatory		2	"05"
	Code				
	Segment Identifier	Mandatory		3	"TXP"
	Separator			1	*
TXP01	Contractor ID#	Mandatory	Alpha Numeric	6	AAAXXX
	Separator				*
TXP02	Tax Type Code	Mandatory	Numeric	5	XXXXX
	Separator				*
TXP03	File Name	Mandatory	Alpha Numeric	12	AAAXXXYYMMDD
	Separator				*
TXP04	Amount Type	Mandatory	Alpha	1	"T"
	Separator				*
TXP05	Amount	Mandatory	Numeric	1/10	\$\$\$\$\$\$\$cc
	Terminator				\

- e. Submit a Weekly Payment Report itemizing each transaction to FTB on each Tuesday by 2:00 p.m. PST via SWIFT. The Weekly Payment Report will include the account number, payment amount, date the money was collected and the appropriate fee to be charged. The report will be prepared in a format specified by FTB to be provided to the Contractor. (See Exhibit K, K.1.0 – Sample Weekly Payment Report).
- f. The Weekly Payment Report will not include any statements regarding Non-Sufficient Fund amounts and will not subtract such amounts from the totals. (See Exhibit B, B.1.3, Payments to Contractor).
- g. If a calendar month ends in the middle of a statement period, the Contractor will prepare and send two payment files, two EFT transactions and two Weekly Payment Reports on the following Tuesday by 2:00 p.m. PST. The first will include all payments received from the beginning of the statement period to the end of the

calendar month. The second will include all payments received from the beginning of the calendar month to the end of the statement period.

B.2.2: Billing of Fees

1. The billing period will be a calendar month, beginning on the first day of the month and ending on the last day of the month.
2. In consideration of the satisfactory completion of the services described herein, the State will pay the Contractor upon receipt of an itemized invoice. Payment will be made in accordance with the provisions included in Exhibit B, B.1.6, Performance-Based Sliding Scale Compensation Formula.
3. On a monthly basis, the Contractor will submit an itemized invoice with a unique invoice number for the billing period. The invoice will be prepared in a format specified by FTB to be provided to the Contractor. (See Exhibit K, K.2.0 – Sample Monthly Invoice).
4. The Contractor will submit the invoice to FTB via SWIFT within five business days of the end of the billing period. In addition, the Contractor will mail a duplicate paper copy of the invoice to:
Franchise Tax Board
Fiscal Accounting
PO Box 2800
Sacramento, CA 95812-2800
5. The monthly invoice will not include any statements regarding Non-Sufficient Fund amounts and will not subtract such amounts from the totals (See Exhibit B, B.1.3, Payments to Contractor).
6. Should a weekly payment report or monthly invoice require adjustment prior to authorization of payment, FTB will adjust and comment the report or invoice and return it to the Contractor via SWIFT for review. If the Contractor does not respond or does not object to the changes within five business days of such notification, the adjustments will be considered final.
7. It is mutually agreed that if the Budget Act of the current year and/or any subsequent years covered under this Agreement does not appropriate sufficient funds for the program, this Agreement will be of no further force and effect. In this event, the State will have no liability to pay any funds whatsoever to the Contractor or to furnish any other consideration under this Agreement and the Contractor will not be obligated to perform any provisions of this Agreement. If funding for any fiscal year is reduced or deleted by the Budget Act for purposes of this program, the State will have the option to either: cancel this Agreement with no liability occurring to the State, or offer an Agreement amendment to the Contractor to reflect the reduced amount.
8. In case of early termination, the Contractor will submit a final invoice of all collections received and final payment file via SWIFT and remit all monies due via EFT within 30 days of Agreement termination.
9. **PROMPT PAYMENT CLAUSE:** Payment will be made in accordance with and within the time specified in Government Code, Chapter 4.5 (commencing with Section 927).

EXHIBIT C
GENERAL TERMS AND CONDITIONS

C.1.0: GENERAL TERMS AND CONDITIONS (GTC 610)

1. These documents are hereby incorporated by reference and made part of this Agreement as if attached hereto.
2. These documents can be viewed at www.ols.dgs.ca.gov/standard+language/default.htm

EXHIBIT D
SPECIAL TERMS AND CONDITIONS**D.1.0: SPECIAL TERMS AND CONDITIONS**

1. **STATEMENT OF CONFIDENTIALITY:** The Franchise Tax Board has tax returns and other data in its custody, which is confidential data. Unauthorized inspection or disclosure of State returns or other confidential data is a misdemeanor (Rev. & Tax Code §§ 19542, 19542.1). Unauthorized inspection or disclosure of confidential data that includes Federal returns and other data is a felony (I.R.C. §§ 7213(a)(1), 7213A(a)(1)(B)) and 7431. The Contractor and each of the Contractor's employees or other persons who may have access to the Franchise Tax Board data will be required to sign annually and have on file a confidentiality statement attesting to the fact that he/she is aware of the confidential data and the penalties for unauthorized disclosure thereof. It is the Contractor's responsibility to notify FTB of any changes in designations.
2. **USE OF INFORMATION:** The Contractor agrees that the information furnished or secured pursuant to this Agreement shall be used solely for the purposes stated in this Agreement. The information obtained shall be used exclusively in the collection of the delinquent debts assigned to the Contractor for collection. The Contractor further agrees that the information obtained under this Agreement will not be reproduced, published, sold or released in original or in any other form for any purpose other than identified in this section.
3. **DATA OWNERSHIP:** The confidential tax information or sensitive information being provided under this agreement remains the exclusive property of the FTB. Confidential tax and sensitive data/information are not open to the public and require special precautions to protect from loss and unauthorized use, disclosure, modification, or destruction. The Contractor shall have the right to use and process the disclosed information for the purposes stated in this Agreement, which right shall be revoked and terminated immediately upon termination of this Agreement. Disclosure of this data does not transfer ownership of information to the receiving party.
4. **EMPLOYEE ACCESS TO INFORMATION:** The Contractor agrees that the information obtained will be kept in the strictest confidence and shall make information available to its own employees only on a "need to know" basis. The "need to know" standard is met by authorized employees who need information to perform their official duties in connection with the uses of the information authorized by this Agreement. The Contractor recognizes its responsibilities to protect the confidentiality of the state tax return information and other information as provided by law and ensures such information is disclosed only to those individuals and of such purpose, as authorized by the respective state and federal laws.
5. **PROTECTING CONFIDENTIAL INFORMATION:** The Contractor, in recognizing the confidentiality of FTB information, agrees to take all appropriate precautions to protect the confidential information obtained pursuant to this Agreement from unauthorized disclosure. The Contractor will conduct oversight of its users with access to the confidential information provided under this Agreement, and will promptly notify FTB's Disclosure Officer of any suspected violations of security or confidentiality by its users.
6. **INFORMATION SECURITY:** Information security is defined as the preservation of the confidentiality, integrity, availability, authenticity and utility of information. A secure environment is required to protect the confidential information obtained by the Contractor pursuant to this Agreement. The Contractor will store information so that it is physically secure from unauthorized access. The records received will be securely maintained and accessible only by the employees of the Contractor who are committed to protect the data from unauthorized access, use or disclosure. Confidential information obtained from the FTB must be secured in accordance with the State Administrative Manual (SAM) including Chapters 5100 (EDP Standards) and 5300 (Information Security), National Institute of Standards and Technology (NIST) Special Publication 800-53 (moderate), and additional security requirements provided by FTB. The Contractor must also comply with the Internal Revenue Service (IRS) Publication 1075 (See Exhibit D.1.0.19). FTB requires that a Security Questionnaire be completed or is on file with FTB's Information Security Oversight Section for the Contractor receiving confidential data from FTB. The Contractor will provide a level of security and information integrity that is at least equal to that of FTB and complies with requirements of state or federal laws.
7. **INCIDENT REPORTING:** All unauthorized or suspected unauthorized access, uses and/or disclosures (incidents) involving FTB data shall be thoroughly reviewed by FTB. The Contractor will report and such access to the FTB Disclosure Officer (916) 845-3226, PO Box 1468 MS A-181, Sacramento, CA 95812-1468, or designee, immediately upon discovery of the incident. The Contractor will further notify FTB's Information Security Audit

Unit (SecurityAudit@ftb.ca.gov) of all incidents involving information obtained under this Agreement as applicable, and will provide the appropriate information. The incident report will contain the following: date, time, employee name, description of the incident or circumstances, means of discovery, and names of all debtors involved. FTB will make the appropriate notification to the affected California Resident(s) and state oversight agencies pursuant to the requirements of California Civil Code § 1798.29 and SAM § 5300.

8. **DESTRUCTION OF RECORDS:** All records received by the Contractor from FTB and any database created, copies made, or files attributed to the records received will be destroyed upon completion of the business purpose for which they were obtained. The records will be destroyed in a manner to be deemed unusable or unreadable and to the extent that an individual record can no longer be reasonably ascertained. Upon destruction of the records, the Contractor will notify FTB of the completed destruction.
9. **SAFEGUARD REVIEW:** FTB retains the right to conduct on-site safeguard reviews of the Contractor's use of FTB data, including review of the Contractor's compliance with security provisions for FTB data. The Contractor will be provided a minimum of seven days notice of a safeguard review being conducted by the FTB. The safeguard review may include, but are not limited to, examination of information security controls, and "need to know" and use justifications established by the Contractor to ensure compliance with the terms and conditions of this Agreement.
10. **DISPUTE RESOLUTION:** In the event of a dispute, Contractor will file a "Notice of Dispute" with the Chief Financial Officer, of the Franchise Tax Board within ten (10) days of discovery of the problem. Within ten (10) days the Chief Financial Officer, or his/her designee will meet with the Contractor and Project Manager for purposes of resolving the dispute. The decision of the Chief Financial Officer will be final. In the event of a dispute, the language contained within this Agreement will prevail over any other language including that of the bid proposal.
11. **TAX COMPLIANCE:** The Contractor and all staff working on the Agreement must be in compliance with the Revenue and Taxation Code throughout the term of the Agreement. Failure to comply with this provision by the Contractor, Project Manager, Alternate Project Manager, Security Administrator, and/or Collection Supervisor will be deemed a breach of this Agreement and will be grounds for cancellation of this Agreement. Failure to comply with this provision by other employees working on the Agreement will result in the employee's removal from the project.
12. **EXCISE TAX:** The State of California is exempt from Federal Excise Taxes, and no payment will be made for any taxes levied on employees' wages. The State will pay for any applicable State of California or local sales or use taxes on the services rendered or equipment or parts supplied pursuant to this Agreement. California may pay any applicable sales or use tax imposed by another state.
13. **EVALUATION OF CONTRACTOR:** Performance of the Contractor under this Agreement will be evaluated. The evaluation will be prepared on Contract/Contractor Evaluation Sheet, STD 4 and maintained in the Agreement file for consultant agreements, a copy of the evaluation will be sent to the Department of General Services Legal Office, if it is negative and over \$5,000.00.
14. **FTB LIABILITY:** The Contractor warrants by execution of this Agreement, that no person or selling agency has been employed or retained to solicit or secure this Agreement upon agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty, the State will, in addition to other remedies provided by law, have the right to annul this Agreement without liability, paying only for the value of the work actually performed, or otherwise recover the full amount of such commission, percentage, brokerage, or contingent fee.
15. **POTENTIAL SUBCONTRACTORS:** Nothing contained in this Agreement or otherwise will create any contractual relation between the State and any subcontractors, and no subcontract will relieve the Contractor of its responsibilities and obligations hereunder. The Contractor agrees to be as fully responsible to the State for the acts and omissions of its subcontractors and of persons either directly or indirectly employed by any of them as it is for the acts and omissions of persons directly employed by the Contractor. The Contractor's obligation to pay its subcontractors is an independent obligation from the State's obligation to make payments to the Contractor. As a result, the State will have no obligation to pay or to see the payment of any monies to any subcontractor.
16. **BACKGROUND CHECK AND FINGERPRINTING OF CONTRACTOR PERSONNEL:** The Franchise Tax Board reserves the right to investigate the personal history of all Contractor personnel who might have access to the Franchise Tax Board's facilities, data systems or confidential materials. The Franchise Tax Board may require such Contractors, subcontractors, or independent contractors and their employees, at the Contractor's expense, to complete a personal history questionnaire and be fingerprinted. Fingerprints will be sent to the California

Department of Justice for information regarding prior criminal history. If a Contractor, subcontractor, or independent contractor currently performs a personal history investigation on its employees, the Franchise Tax Board may, at its discretion, accept that information in lieu of doing its own investigation.

17. SOFTWARE: The Contractor certifies that it has appropriate systems and controls in place to ensure that state funds will not be used in the performance of this contract for the acquisition, operation or maintenance of computer software in violation of copyright laws.
18. DISCLOSURE OF CONFIDENTIAL INFORMATION: Any unwarranted disclosure or use of tax return information or any willful unauthorized inspection of taxpayer return information is a crime punishable as a misdemeanor. Inspection is defined to mean any examination of confidential information. No one other than the Contractor's employees, or the Contractor's agents as authorized by state law for the enforcement of tax and fee administration, may have access, use, and/or view the data being transmitted to the Contractor under this Agreement. The Contractor, in recognition of the confidentiality of State Tax Returns and return information, agrees to take all appropriate precautions to prevent the unauthorized disclosure of the confidential information made available to it and its employees pursuant to this Agreement.
19. INTERNAL REVENUE SERVICE (IRS) REQUIRED CONTRACT LANGUAGE

I. PERFORMANCE

- a. In performance of this contract, the Contractor agrees to comply with and assume responsibility for compliance by the Contractor's employees with the following requirements:
- b. All work will be done under the supervision of the Contractor or the Contractor's employees.
- c. Any return or return information made available in any format shall be used only for the purpose of carrying out the provisions of this contract. Information contained in such material will be treated as confidential and will not be divulged or made known in any manner to any person except as may be necessary in the performance of this contract. Disclosure to anyone other than an officer or employee of the Contractor will be prohibited.
- d. All returns and return information will be accounted for upon receipt and properly stored before, during, and after processing. In addition, all related output will be given the same level of protection as required for the source material.
- e. The Contractor certifies that the data processed during the performance of this contract will be completely purged from all data storage components of his or her computer facility, and no output will be retained by the Contractor at the time the work is completed. If immediate purging of all data storage components is not possible, the Contractor certifies that any IRS data remaining in any storage component will be safeguarded to prevent unauthorized disclosures.
- f. Any spoilage or any intermediate hard copy printout that may result during the processing of IRS data will be given to the Agency or the Agency's designee. When this is not possible, the Contractor will be responsible for the destruction of the spoilage or any intermediate hard copy printouts, and will provide the Agency or the Agency's designee with a statement containing the date of destruction, description of material destroyed, and the method used.
- g. All computer systems processing, storing, or transmitting Federal tax information must meet the requirements defined in IRS Publication 1075. To meet functional and assurance requirements, the security features of the environment must provide for the managerial, operational, and technical controls. All security features must be available and activated to protect against unauthorized use of and access to Federal tax information.
- h. No work involving Federal tax information furnished under this contract will be subcontracted without prior written approval of the IRS.
- i. The Contractor will maintain a list of employees authorized access. Such list will be provided to the Agency and, upon request, to the IRS reviewing office.
- j. The Agency will have the right to void the contract if the Contractor fails to provide the safeguards described above.

II. CRIMINAL/CIVIL SANCTIONS

- a. Each officer or employee of any person to whom returns or return information is or may be disclosed will be notified in writing by such person that returns or return information disclosed to such officer or employee can be used only for a purpose and to the extent authorized herein, and that further disclosure of any such returns or return information for a purpose or to an extent unauthorized herein constitutes a felony punishable upon conviction by a fine of as much as \$5,000 or imprisonment for as long as 5 years, or both,

together with the costs of prosecution. Such person shall also notify each such officer and employee that any such unauthorized further disclosure of returns or return information may also result in an award of civil damages against the officer or employee in an amount not less than \$1,000 with respect to each instance of unauthorized disclosure. These penalties are prescribed by IRC §§ 7213 and 7431 and set forth at 26 CFR 301.6103(n)-1.

- b. Each officer or employee of any person to whom returns or return information is or may be disclosed shall be notified in writing by such person that any return or return information made available in any format shall be used only for the purpose of carrying out the provisions of this contract. Information contained in such material shall be treated as confidential and shall not be divulged or made known in any manner to any person except as may be necessary in the performance of the contract. Inspection by or disclosure to anyone without an official need to know constitutes a criminal misdemeanor punishable upon conviction by a fine of as much as \$1,000 or imprisonment for as long as 1 year, or both, together with the costs of prosecution. Such person shall also notify each such officer and employee that any such unauthorized inspection or disclosure of returns or return information may also result in an award of civil damages against the officer or employee [United States for Federal employees] in an amount equal to the sum of the greater of \$1,000 for each act of unauthorized inspection or disclosure with respect to which such defendant is found liable or the sum of the actual damages sustained by the plaintiff as a result of such unauthorized inspection or disclosure plus in the case of a willful inspection or disclosure which is the result of gross negligence, punitive damages, plus the costs of the action. These penalties are prescribed by IRC §§ 7213A and 7431.
- c. Additionally, it is incumbent upon the Contractor to inform its officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a(i)(1), which is made applicable to contractors by 5 U.S.C. 552a(m)(1), provides that any officer or employee of a Contractor, who by virtue of his/her employment or official position, has possession of or access to Agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than \$5,000.

III. INSPECTION

- a. The IRS and the Agency shall have the right to send its officers and employees into the offices and plants of the contractor for inspection of the facilities and operations provided for the performance of any work under this contract. On the basis of such inspection, specific measures may be required in cases where the contractor is found to be noncompliant with contract safeguards.

EXHIBIT E
CUSTOMER SERVICE AND COMPLAINTS

In addition to the requirements specified herein, and related to the Contractor's compliance with the Taxpayer's Bill of Rights, the Contractor will conduct business in a manner that supports FTB's goal of fair and equitable treatment of debtors during the collection of debts.

As stated in Exhibit F, Quarterly Performance Evaluations, failure to meet the minimum requirements for customer service and complaints will result in reduced placements for the following quarter, regardless of the overall performance score.

As stated in Exhibit B1.6, Performance-Based Sliding Scale Compensation Formula, failure to meet the minimum requirements for customer service and complaints (an average quarterly score of 25 or more per contract year) will render the Contractor ineligible for increased compensation, regardless of the Contractor's Target Recovery Amount in any given Contract Year.

E.1.0: DEBTOR CONTACTS**E.1.1: Outgoing Notices**

1. The Contractor will be required to comply with the Taxpayer's Bill of Rights (Revenue & Taxation Code §21001 et seq.) by including the following language on all notices. The language explains the rights of the debtor when the amount is disputed:

You must first call the collection agency listed above at (xxx) xxx-xxxx to resolve your account. If you are unable to resolve your issue with the collection agency, or if you dispute or have questions about your case or the Amount Due, then you may contact Franchise Tax Board at (916) 845-5292. If you are unable to resolve your account through either of these channels, then you may contact the Taxpayer Advocate. For Advocate assistance, mail to: Executive and Advocate Services MS A381, PO Box 157, Rancho Cordova, 95741-0157, or call (800) 883-5910. You can also e-mail the Advocate at ftb.ca.gov.

2. All outgoing notices must be approved by FTB prior to any notices being sent to debtors. FTB reserves the right to modify all Contractor notices being sent to the debtors to reflect FTB's goal of fair and equitable treatment of the debtor. In no case will the Contractor use a letter that has not received unqualified approval by FTB.
3. The Contractor will submit all outgoing notices for approval within 30 days of the award of the Agreement. FTB will review the notices and return with comments within 30 days of receipt. The Contractor will resubmit the letters to FTB within 30 days of receipt of FTB's comments.
4. The notices submitted for approval must be exact facsimiles of actual letters to be generated for debtor contacts. They should include all letterhead, formatting and fonts that will be used. A text only file is not acceptable material for review. FTB's review of the letters will include evaluation of visual presence as well as language and tone.
5. Any changes made to previously approved Contractor notices require additional subsequent approval by FTB prior to being used by the Contractor.
6. In accordance with the California Civil Code § 1798.85, the Contractor shall not print an individual's social security number on any materials that are mailed to an individual. The Contractor shall not encode or embed a social security number on any document, including but not limited to a bar code, in place of removing a social security number as required by this Agreement.
7. If a debtor's balance includes multiple tax years, the Contractor will not create separate notices for each tax year. The balance due on each notice will be the entire balance due including all tax years.

E.1.2: Phone Scripts/Talk-offs/Decision Trees

1. All collector phone scripts/talk-offs/decision trees must be approved by FTB prior to commencement of work on any FTB accounts.
2. All greetings must clearly identify the Contractor's name during the introduction.
3. FTB reserves the right to modify all Contractor scripts to reflect FTB's goal of fair and equitable treatment of the debtor.

E.1.3: Automated Predictive Dialer Messages

1. All outgoing predictive dialer messages must be approved by FTB prior to any notices being sent to debtors.
2. Outgoing messages must clearly identify the Contractor's name in the greeting.
3. FTB reserves the right to modify all Contractor scripts to reflect FTB's goal of fair and equitable treatment of the debtor.

E.2.0: COMPLAINT PROCESS

1. FTB has no tolerance for collection actions or activities that demonstrate anything less than complete respect for the rights and reasonable expectations of the public. FTB's target for complaints regarding harassment or verbal abuse of the debtor or compromise of the debtor's rights is zero.
2. The Contractor shall provide taxpayers wishing to complain about the Contractor to FTB, the name and address of the Contractor and the Contractor's employee(s), in writing and/or verbally if requested or otherwise appropriate during conversations with taxpayers.
3. When FTB becomes aware of a possible complaint, FTB will request a copy of all activity on the account including system transcripts, written correspondence (including FAX) between the Contractor and the debtor and/or recordings of all phone calls between the taxpayer and the Contractor's staff. Upon receipt of the request, the Contractor shall immediately cease collection activity on the account in question and shall provide the requested information to FTB within two business days. The Contractor shall also provide any other relevant information, so that FTB may respond to the complaint raised by the taxpayer against the Contractor.
4. The Contractor shall not resume collection activity on the account until FTB informs the Contractor that collection activity on the account should be resumed. Failure by the Contractor to cease collection activity on the account will result in FTB recalling the account from the Contractor and be considered a complaint.
5. FTB will investigate complaints individually. FTB will analyze the information provided and other information available to FTB to determine the validity of each complaint. Upon completion of FTB's analysis, FTB will provide the Contractor with written notification of the results within 30 days.
6. Upon receipt of written notification, the Contractor shall forward to FTB within 10 business days of receipt, its final response, along with a copy of the collection activity records, regarding the complaint. The report shall include specific findings actions taken to deal with the situation, and actions taken to prevent future occurrences of like situations.
7. FTB will review the Contractor's response and will provide the Contractor written notification that the complaint has been resolved within 30 days. Upon receipt, the Contractor shall immediately initiate or resume the appropriate action on the account.
8. The Contractor shall keep a log of all complaints, including non-substantive and minor complaints, detailing any Contractor investigation and actions. The complaint log shall always be accessible by FTB. In addition, the Contractor's Management Plan shall address in specific detail how the Contractor will address, mitigate and resolve these types of complaints, as well as the plan for prevention of additional or repeat complaints.
9. Customer service issues arising in connection with the actions Contractors take to collect accounts on FTB's behalf will be tracked and categorized by level as follows:
 - a. **Level 1 Complaint** – Issues such as:
 - o Quoting an incorrect balance due
 - o Making a collection contact on an account that has already been resolved
 - o Providing incorrect information to the debtor for resolving a collection issue

- b. **Level 2 Complaint** – Complaints regarding the activities of the Contractor’s staff including, but not limited to:
 - o Rudeness
 - o Abusive language
 - o Failure to give reasonable consideration to the taxpayer/debtors circumstances
 - o Any unintentional unauthorized disclosure of confidential information
 - c. **Level 3 Complaint** – Violations of the taxpayer’s/debtors rights, including but not limited to:
 - o Violations of any of the following:
 - The California Taxpayers’ Bill of Rights
 - Fair Debt Collection Practices Act
 - California Financial Information Privacy Act
 - California Civil Code § 1798.85
 - o Any intentional unauthorized disclosure of confidential information
10. Upon validation of any Level 3 Complaint, FTB may revoke the offending employee’s clearances to perform work associated with the contract. Because this is a statutory violation, the Contractor must take immediate action to permanently remove the violating employee from all access to contract data including access to systems in which contract data is stored, the contract worksite, and working on the contract in any capacity. If the Contractor generates **any** (one or more) verifiable/valid Level 3 complaints, the entire Agreement may be terminated, unless the Contractor can establish to FTB’s satisfaction that every reasonable precaution was taken to prevent the occurrence.
 11. Contract activity can resume only after FTB determines the Contractor has taken corrective action(s) to prevent further Level 3 Complaints. FTB actions will depend on the severity and frequency of complaints and can include prosecution of the offender and termination of the contract.
 12. Repeated verifiable/valid Level 1 or Level 2 complaints, or a number of Level 2 or Level 3 complaints that tend to establish the validity of such complaints, may result in account distribution change between contractors, or may result in termination of the entire agreement, at FTB’s sole discretion.
 13. The Contractor shall forward to FTB a copy of any lawsuit referencing an account within 24 hours of receipt and shall immediately cease collection activity on the account in question. FTB will recall any account for which the Contractor has failed to meet this requirement within the required period. The Contractor is not authorized to accept service of process on behalf of FTB or represent FTB in any court proceedings.

E.3.0: ADDITIONAL CUSTOMER SERVICE REQUIREMENTS

E.3.1: On-Site Liaison

1. To facilitate the swift resolution of disputes and to minimize paper flow between FTB and the Contractor, FTB may request that the Contractor, at the Contractor’s expense, provide FTB with a properly trained employee and a system terminal connected by automated means to the Contractor’s processing system.
2. The employee and equipment will be housed within FTB’s Central Office Campus.

E.3.2: FTB Secure Access to Contractor Systems

1. To facilitate the swift resolution of disputes and to minimize paper flow between FTB and the Contractor, FTB may request that the Contractor, at the Contractor’s expense, provide FTB with access to the Contractor’s computer system.
2. Security requirements for such access are set out in Exhibit H.2.0, FTB Secure Access To Contractor Systems.

E.3.3: Three-way Calling

1. FTB may request that the Contractor support three-way phone calls between the Contractor’s collection staff, the taxpayer, and FTB collection staff.
2. Guidelines for three-way phone call protocol may be developed with the Contractor during implementation.

E.3.4: Phone Monitoring

1. The Contractor will record all telephone calls between the debtor and the Contractor's collection staff. The Contractor's Interactive Voice Response (IVR) system will contain a message advising the debtor that calls will be recorded for quality assurance purposes.
2. If the debtor advises the Contractor that the debtor does not consent to having a call recorded, the Contractor will provide the debtor with FTB's phone number and FTB's address so that the debtor may communicate with FTB in writing.
3. The Contractor will retain recordings for 270 days and provide FTB with accessible replay of recordings of debtor calls on demand.

EXHIBIT F
QUARTERLY REVIEW

Commencing three months after the initial placement of accounts and every three months thereafter for the term of the Agreement, FTB will conduct a Quarterly Performance Evaluation of each Contractor's services. Following the Evaluation, all Contractors will attend the Quarterly Meeting of Contractors to discuss performance. See Exhibit K, K.3.0, Sample Quarterly Audit Scorecard.

F.1.0: QUARTERLY PERFORMANCE EVALUATIONS

1. The Contractor will be evaluated and scored in the following categories:
 - a. Revenue Collected
 - b. Customer Service
 - c. Quarterly Audit of Accounts
 - d. IT Responsiveness
2. The Contractor's total score will be shared at the Quarterly Meeting of Contractors and posted on FTB's public website to meet FTB's goal of transparency to the public.

F. 1.1: Revenue Collected (20 Points)

1. FTB will calculate the total revenue collected by each Contractor.
2. The Contractor with the highest revenue collection will receive 20 points.
3. The Contractor with the second highest revenue collection will receive 15 points.

F.1.2: Customer Service (30 Points)

1. Each Contractor will begin with 30 points in Customer Service.
2. FTB will subtract 1 point for each valid and verified Level 1 complaint attributed to the Contractor.
3. FTB will subtract 2 points for each valid and verified Level 2 complaint attributed to the Contractor.
4. FTB will subtract 3 points for each valid and verified Level 3 complaint attributed to the Contractor.

F.1.3: Quarterly Audit of Accounts (20 Points)

1. Commencing three months after the initial placement of accounts and every three months thereafter, FTB will review a random sampling of 25 accounts with a value of \$100,000 or less and 25 accounts with a value exceeding \$100,000.
2. FTB will audit the accounts and assignment timeframes to ensure that the accounts are being worked timely and in accordance with the terms of this Agreement (See Exhibit A.1.0, Scope of Work).
3. Once the accounts have been reviewed, FTB will request copies of Contractor/debtor collection calls for a minimum of five phone calls on accounts with a value of \$100,000 or less and five phone calls on accounts with a value exceeding \$100,000.
4. FTB will review the phone calls and the account comments to ensure compliance with FTB's customer service guidelines as set out in Exhibit E, Customer Service and Complaints.
5. Any accounts not meeting the timeframes set out in A.1.0, Scope of Work may be recalled from the Contractor.
6. Any accounts with phone calls that do not meet the Customer Service Guidelines as set out in Exhibit E, Customer Service and Complaints, may be recalled from the Contractor.
7. FTB will provide the Contractor with a written report at the conclusion of the audit.

8. The Contractor will receive one point for each percentage point of accounts worked timely and in accordance with the terms of this Agreement. For example if, out of 50 accounts reviewed, 45 were worked in accordance with the Agreement, the Contractor will receive nine points for "Accounts Timely Worked".
9. The Contractor will receive one point for each of the ten phone calls monitored that meet FTB standards of customer service and follow all FTB guidelines in regard to security and disclosure.

F.1.4: IT Responsiveness (30 Points)

1. FTB systems personnel will score the Contractor as to whether the Contractor Meets or Does Not Meet FTB's standards in the following areas:
 - a. Responsiveness – the Contractor's adherence to the response timeframes set out in I.2.3, Expected Response Times
 - b. Competency – the Contractor's ability to understand and resolve a problem with minimal reiteration on FTB's part, and to ensure that previously resolved issues do not reoccur
 - c. Cooperation – the Contractor's cooperation with FTB staff in finding solutions to system issues, and partnering with FTB to prevent such issues from occurring
2. The Contractor will receive no points for any area scored as "Does Not Meet".
3. The Contractor will receive ten points for any area scored as "Meets".

F.1.5: Minimum Performance Requirements

FTB requires that the Contractor meet minimum standards in regard to customer service and responsiveness to system issues regardless of the total score received by the Contractor:

1. Failure to meet a minimum score of 25 for Customer Service will result in 250 accounts being withheld from each biweekly placement to the Contractor during the following quarter.
2. Failure to meet a minimum score of 30 in IT Responsiveness will result in 250 accounts being withheld from each biweekly placement to the Contractor during the following quarter.
3. The number of accounts to be withheld during the following quarter's placements for failing to meet minimum requirements will be cumulative.

F.2.0: QUARTERLY MEETING OF CONTRACTORS

1. Quarterly during the term of this Agreement, the Contractor's Project Manager and Collection Supervisor will, at the Contractor's expense, attend a meeting of Contractors to be held on FTB's Central Office Campus in Sacramento, California. If necessary, FTB may also require, at the Contractor's expense, that the Contractor's System Administrator or other staff attend.
2. The dates and times of the Quarterly Meetings will be determined once all Contractors have received the initial placement of accounts and provided to the Contractor.
3. All Contractors performing services under this Agreement will attend the Quarterly Meeting of Contractors either in person or via videoconference. However, at least two of the Quarterly Meetings per year must be attended in person.
4. The Contractor's Quarterly Performance Evaluation scores will be shared with all Contractors at the meeting.
5. Common issues regarding updates in the law, customer service, collections, system information, data transfer, and invoicing will be discussed and shared at the meeting to encourage information flow between FTB and the Contractors performing services under this Agreement.

EXHIBIT G
ACCOUNT ASSIGNMENT AND MANAGEMENT

G.1.0: ACCOUNT ASSIGNMENT**G.1.1: Placement of Accounts**

1. FTB expects the Contractor to be ready for the first referral of cases within 2-3 months after initiation of the Agreement depending on system capabilities and needs. FTB will work with the Contractor to determine the initial quantity of cases placed during the first referral. The distribution of cases will be at the discretion of FTB.
2. FTB will attempt to ensure that the tax data contained in its new business files represents the most accurate description of the tax liability data maintained in its files. However, FTB does not warrant or represent that, in every case, said tax data represents a true, accurate, or precise analysis of the actual tax liability, if any, of individual debtors.
3. The Contractor will acknowledge the number, dollar value, and logical validity of the accounts contained on each new business file within ten days after receipt.

G.1.2: Distribution of Accounts

1. Accounts will be screened and assigned at a ratio determined by FTB from the total universe of accounts to be referred. FTB will measure collection results, customer service, and FTB's support costs for each Contractor and will use all three categories to determine the true net benefit each Contractor provides to the State.
2. The distribution of accounts may be adjusted to reflect the percentage of net benefit each Contractor cumulatively contributes toward the total.
3. FTB plans to randomly assign a similar number of accounts of a same or similar nature with each Contractor, dependent upon account availability.
4. FTB reserves the right to reassign accounts that were recalled or returned by one Contractor, to another Contractor for collection services.
5. FTB reserves the right to withhold assignments in the event of system or collection issues until such issues are resolved.

G.1.3: Account Records

1. The Contractor will maintain records on each referred account assigned by FTB. These records must contain the collection actions taken on each account and any other pertinent information as specified by FTB. These records will remain the property of FTB but will be maintained by the Contractor for the life of the Agreement. Upon termination or expiration of the Agreement, these records will be turned over to FTB in a file sent electronically and duplicate hard copy, if requested by FTB, within thirty calendar days of the Agreement ending date.
2. The Contractor must agree that all information obtained from FTB and used when collecting FTB accounts is the property of FTB and will not be used for any other purpose by the Contractor.

G.1.4: Return of Accounts to FTB

1. FTB may recall any or all accounts from the Contractor, as a result of an administrative action, decision, offset action, and/or legal decision. If this occurs, the Contractor will immediately stop all collection activities.
2. The Contractor will report accounts recalled by FTB and accounts being returned by the Contractor on the next electronic file sent to FTB. Each account will be labeled with a code defined by FTB, which indicates the status of the account and the reason for its return to FTB.
3. When the Contractor is unable to collect part or all of an account within nine months after the original assignment date, the Contractor will return the account to FTB within 30 days after the end of the ninth month.
4. At the end of the period covered by the Agreement, the Contractor will mail a notice to all remaining debtors. The notice must advise the debtor that the debtor's account is being returned to FTB, and that any future payments

must be submitted directly to FTB. If the Contractor receives payment from the debtor after such notification has been given, the Contractor will return the payment to the debtor with a copy of the notice.

G.1.5: Reports

The Contractor will provide FTB with the following:

1. On the Monday prior to the monthly meeting, a monthly report with the volume and total placement value of FTB accounts received by the Contractor and the total volume and value of any accounts in installment agreements.
2. A quarterly report on accounts with the name of the debtor, FTB account number, Social Security number (if known), placement date, payments received to date, balance due, and current status.
3. A quarterly report listing the name of the debtor, FTB account number, Social Security number (if known) and last payment date of all accounts in an active installment agreement.
4. A yearly summary report with the number of FTB cases received by the Contractor and their total placement value.

G.2.0: ACCOUNT MANAGEMENT

G.2.1: General Account Management

1. As an essential condition of this Agreement, close liaison and coordination will be maintained between the State's staff and the Contractor's staff to assure that FTB is fully informed concerning the work being accomplished.
2. Contractors will be prohibited from modifying any FTB debt, unless specified by FTB.
3. FTB may, as a result of an administrative action, decision, intercept action, legal decision, and/or instruction to do so by its client, recall any or all accounts from the Contractor. If this occurs, the Contractor must immediately stop all collection activities and wait for further instructions from FTB.
4. If FTB requests that accounts be returned, the Contractor must include all accounts specified by FTB. Accounts will be returned via an electronic file sent to FTB. Each account must be labeled with a code, as defined by FTB, indicating the status of the account and the reason for returning the account to FTB. If requested by FTB, the Contractor will return a hard copy of an "uncollectible" account with the file and include the Contractor's notes and details of the collection efforts made.
5. Except in situations where an Agreement is terminated early, Contractors will be allowed to retain each account in their inventory for nine months from the placement date.

G.2.2: Installment Agreements

1. The Contractor may allow debtors to pay their balance due in installments. Installment agreements must conform to FTB criteria (total balance less than \$10,000, total duration of installment agreement less than 36 months, with a payment amount of at least \$25 per month).
2. The Contractor will notify FTB within 24 hours of placing an account into an installment agreement to prevent automated collection action from occurring on the account.
3. Should the Contractor fail to notify FTB of any installment agreement and such failure causes a withholding order to be issued by FTB against a debtor's bank account, the Contractor will be billed for reimbursement of any bank fees or charges incurred by the debtor that FTB is required to pay.
4. Quarterly, the Contractor will submit a list of all accounts continuing in active installment agreements.
5. Prior to resuming collection action on any account in which a debtor has failed to make payment, the Contractor will provide the debtor thirty days notice as required in the Taxpayer Bill of Rights.
6. As stated in Exhibit A, A.2.2 Renewal Option, at the end of the second additional year, an additional amendment may be granted for any accounts the Contractor has in active installment agreements. This extension of time will end 90 days from the date the last payment is received from the last debtor in an active installment agreement with the Contractor, or one year from the date the amendment is executed, whichever is earlier in time.

7. If, during this residual amendment period, no payments are received on an individual account for a period exceeding ninety days, the account will be immediately returned to FTB and the Contractor will receive no further commissions on the account.
8. As stated in Exhibit B, B.1.6 Performance Based Sliding Scale Compensation Formula, Sliding Scale Compensation will be in effect during the residual amendment period and the commission rate during the residual amendment period for all accounts remaining in an active installment agreement will be based on the chart shown in B.1.6.6.

G.2.3: Account Correspondence

1. The Contractor will periodically receive correspondence from debtors regarding their accounts.
2. All nonpayment correspondence (any correspondence other than an unaltered payment coupon) must be bundled and submitted biweekly to FTB via overnight mail at the following address:

State of California
Franchise Tax Board
Mail Stop A413
Attention: FTB RRSB.PDC Leads ext 1135
Sacramento, CA 95827

G.2.4: Disputed Accounts

1. When there is concern regarding the validity of an assigned debt, the Contractor must suspend collection efforts and refer the debtor immediately to FTB. Specific telephone numbers to resolve disputes will be provided at the time of account referrals to the Contractor.
2. The Contractor must contact FTB for instructions before resuming collection activity on the referred liability.

G.2.5: Litigation

The Contractor will not conduct legal proceedings on behalf of FTB.

EXHIBIT H
SECURITY AND DISCLOSURE

H.1.0: CONFIDENTIALITY AND DOCUMENT CONTROL

1. FTB may conduct safeguard reviews of the Contractor's premises.
2. All data provided by FTB is confidential and must be properly safeguarded. At a minimum, during non-working hours, FTB paper documents, reference materials or any materials related thereto will be kept in a locked, secure place. All FTB electronic data will be password protected and secure at all times. Workstations with access to FTB data must be locked and paper documents must be secured when unattended.
3. The Contractor and the Contractor's employees are considered agents only for confidential data purposes and will be liable under the State and Federal statutes for unauthorized disclosures, including the improper disposal of confidential data.
4. In the event of subcontracting, the subcontractor and its employees will also be considered agents only for confidential data purposes, and will be held liable under said State and Federal statutes.
5. Neither the Contractor, nor the Contractor's employees will represent or claim to be officers or employees of FTB.
6. The Contractor must restrict access to all FTB account information to those employees who have the need to know such information in order to resolve FTB accounts. Accounts received by the Contractor from other clients may not be cross-matched with FTB accounts to facilitate collection of the other clients' accounts.
7. The Contractor must create and maintain an audit log of accesses or attempted accesses to data provided to the Contractor by FTB. The Contractor must maintain the confidentiality and integrity of audit logs. The audit logs must be made available to FTB upon request. The audit logs must include, at a minimum:
 - User ID
 - Date and time of access
 - Originating IP address
 - Success or failure of the request
 - Information necessary to identify the accounts/records accessed and any actions taken on those accounts
8. If service on this Agreement is terminated for any reason, including bankruptcy, all materials and records must be returned immediately upon notice from FTB.
9. The Contractor may not use FTB information either in electronic format or in paper format to cross match the debtor's information to facilitate the collection of liabilities referred to the Contractor by other clients.
10. When the Contractor replaces defective parts on any equipment or device containing confidential data, the Contractor must certify to FTB that all such data contained therein has been destroyed and is no longer readable. Any hard copy printouts created during testing or servicing of equipment or devices that disclose any confidential data or information will be destroyed by the Contractor in accordance with the Internal Revenue Service specifications, or will be given to FTB for proper disposal.
11. FTB has tax returns and other data in its custody that are confidential. Unauthorized disclosure of confidential state tax data is a misdemeanor (Revenue & Tax Code §19542). Unauthorized disclosure of confidential federal tax data is a felony (I.R.C. §§ 7213(a)(1), 7213A(a)(1)(B) and 7431).
12. The Contractor and each of the Contractor's employees or other persons who may have access to FTB information or data will be required to sign a statement yearly attesting to the fact that he/she is aware of the confidentiality of tax information and the penalties for unauthorized disclosure thereof. It is the Contractor's responsibility to notify FTB of any changes in designations and removal or addition of employees.
13. If the Contractor subcontracts such duties as document shredding and letter production, all subcontracted employees who have access to FTB information or data will be required to sign a statement yearly attesting to the fact that he/she is aware of the confidentiality of tax information and the penalties for unauthorized disclosure thereof. It is the Contractor's responsibility to notify FTB of any changes in designations and removal or addition of employees.
14. No FTB records or accounts may be sent to any foreign country and no Contractor personnel may access or perform work on such accounts in a foreign country.

15. The Contractor may not use actual FTB account data for training exercises with the Contractor's staff. The Contractor may only use simulated accounts for training purposes.
16. Termination or expiration of this Agreement does not relieve the Contractor of the responsibility to return all accounts to FTB immediately, in both paper format and electronic data.
17. The Contractor will secure photo identification issued by a government entity (driver's license, passport, etc.) to properly identify all employees performing activities associated with this Agreement. The identification must be photocopied and maintained by the Contractor for the duration of the employee's term of employment and for six months after the employee leaves employment with the Contractor.
18. The Contractor will notify FTB immediately when any theft, disclosure, abuse or other misconduct by a Contractor employee or subcontractor occurs or is discovered if it affects this Agreement.
19. The Contractor's facility must have a locked and alarmed perimeter. Access to the space must provide an audit trail (sign-in log, card reader, computerized mechanical lock). The walls between the Contractor's space and that of any other tenant or common area of the facility must be slab-to-slab or alarmed above any false ceiling.
20. The Contractor will implement effective physical security safeguards to ensure the protection of the IT system, including computer facilities, equipment, data, and personnel. A controlled, limited-access environment shall exist in all areas where FTB data is maintained.
 - a. The Contractor will ensure that all sensitive materials, such as data, software documentation, operating manuals, and handbooks are stored in secure locations.
 - b. The Contractor will provide physical security for the protection of communications equipment. Hardware and software applications, especially those handling sensitive information, must be located in physically secured areas with appropriate access controls.

H.2.0: FTB SECURE ACCESS TO CONTRACTOR SYSTEMS

1. To facilitate the swift resolution of disputes and to minimize paper flow between FTB and the Contractor, FTB may require that the Contractor, at the Contractor's expense, provide FTB with access to the Contractor's computer system via web browser or a system terminal located at FTB. Any system terminal located at FTB will not be connected to the FTB network, and file transmissions will not be performed by this system.
2. Access to the Contractor's system will include view access to data elements outlined by FTB, as well as account activity. The Contractor will provide a list of abbreviations used for their collection system.
3. The Contractor will provide training, including a training manual, on how to use the Contractor's system, as needed by FTB. The Contractor will provide updates to the manual when system changes are made.

H.2.1: Authentication Requirements

1. The Contractor must affirmatively authenticate FTB users prior to allowing user access to Contractor data.
2. The Contractor must confirm that the user is accessing the system from an FTB owned system.
3. Authentication credentials and subsequent data communications must be encrypted using methods in conformance with the Federal Information Processing Standards (FIPS 140-2)
4. The Contractor will protect FTB user credentials at all times and, if compromised, the Contractor will notify FTB within 24 hours.

H.2.2: Reporting Requirements

1. Monthly, the Contractor will provide FTB with a report via SWIFT detailing all FTB accesses or attempted accesses to the Contractor's system. The file will be in text format and will contain, at a minimum, the following data elements:
 - User ID
 - Date and time of access
 - Originating IP address
 - Success or failure of the request

- Social security number of requested record and FTB account number if different from the social security number
 - Debtor's name
2. The Contractor agrees to provide other Ad-Hoc reports as required within five business days of FTB's request.
 3. The Contractor will not make the report available to anyone other than an authorized FTB Representative.

EXHIBIT I
DATA TRANSFER AND RESOLUTION OF SYSTEM ISSUES

I.1.0: DATA TRANSFER**I.1.1: Record Layouts**

1. The Contractors must adhere to the FTB record layouts as specified within this Agreement.
2. The record layouts contained within this profile reflect FTB's assessment of the systems specifications required as of July 1, 2011. The record layouts are subject to change. The method of data transfer is subject to change during the 3-year extended Agreement period.

I.1.2: Data Processing

1. The Contractor must develop and have an operational program satisfactory to FTB within 60 days of the date the contract is awarded.
2. All files will be in a format specified by FTB.
 - a. FTB will only exchange data via FTB's secure FTP application via 256-bit or higher SSL over FTP (FTPS). The Contractor will be using an FTP client to connect to the FTB FTP server. FTB requires that the Contractor use 256-bit or higher explicit SSL (SSL over FTP).
 - b. FTB requires data received in files be recorded in American Standard Code for Information Interchange (ASCII).
 - c. The Contractor must send FTB the Contractor's client server and IP address.
 - d. FTB reserves the right to review the Contractor's data exchange environment/configuration to ensure compliance with FTB's data security policies, up to and including those contained in Internal Revenue Service (IRS) Publication 1075 (Rev. 08-2010). Tax Information Security Guidelines for Federal, State and Local Agencies.
3. FTB dictates the data records and will provide each Contractor with record layouts describing the information and length of the data. Record layouts may periodically be updated.
4. FTB will send the Contractor files containing new accounts and/or updates to account information. The Contractor is required to store and update this information.
5. FTB will attempt to insure that the data contained on its Debtor Information File represents the most accurate data maintained on FTB's files. However, FTB does not warrant or represent that, in every case, said data represents a true, accurate or precise analysis of the actual debt.
6. At the time that the file is sent to the Contractor, FTB will send the Contractor via email, the name of the file, the date of the file, the size of the file and the number of records.
7. Upon receipt of the file and the email, the Contractor will send a confirming email, acknowledging that the file was received and that the number or records and file size match what was sent.
8. If the file does not match what was sent, the Contractor will notify FTB via email or telephone within one business day.
9. If the file matches, the Contractor will process the file. If the file does not process successfully or does not contain valid data, the Contractor will notify FTB via email or telephone within one business day.
10. The Contractor will acknowledge, via response file, the number and logical validity of the accounts placed within ten days after receipt.
11. A printout of items that are not logically valid, found on any file provided by FTB to the Contractor, must be returned to FTB for examination within ten days of receipt of any file.
12. FTB will send the Contractor a file containing new accounts and/or updates to account information. Generally, FTB will provide the debtor's name, social security number (when known), last known address, and amount due as of a specific date.
13. Account updates that contain new assessments will be marked with a hold to prevent violations of due process. The Contractor will cease collection on the affected tax year(s) until the hold expires. FTB will provide training on the identification of these holds during contract implementation.

I.1.3 System Requirements

1. The Contractor's systems must assure the privacy of FTB data.
2. The Contractor will ensure that all FTB information is protected from unauthorized disclosure while on the Contractor's computer systems. The Contractor will ensure that all FTB accounts are, at a minimum, partitioned off from any other data maintained on the Contractor's computer system, are password protected and may only be accessed by Contractor personnel assigned to this project. The Contractor shall protect and maintain integrity of its system and FTB data.
3. The Contractor will:
 - a. Use end-to-end encryption (128 bit or higher; a single continuous encryption protection from the authoritative supply of data to its destination point. There will be no intermediate decryption performed, and the data will not be observable at any intermediate point.), 3DES (Digital Encryption Standard);
 - b. Accept and deliver case-related information via Secure Web Internet File Transfer Mail Box to be provided by FTB
 - c. Provide version control on all software changes
 - d. Support Simple Mail Transport Protocol (SMTP)
 - e. Provide a back-up facility for FTB data
 - f. Adhere to W3C guidelines (for additional information, see <http://www.w3.org/Protocols>)
4. The Contractor will not:
 - a. Store FTB systems applications or data on a computer desktop
 - b. Use 'Cookies' for session management to store any debtor information
 - c. Use 3rd party search engines maintained on the Contractor's system for external information mining
5. The Contractor's system will implement project-specific local authentication and authorization within the application. The system may use LDAP for local authentication/authorization for role-based access and personalization.
6. The Contractor's system shall provide the ability to manage/administer users, roles and functions as necessary to maintain appropriate access controls and adherence to FTB privacy guidelines.

I.2.0: RESOLUTION OF SYSTEM ISSUES

I.2.1: Notification

1. Should the Contractor make any change to any part of their system that may affect FTB data, the Contractor will notify FTB within two business days. FTB systems personnel must approve such change in advance.
2. Should the Contractor identify a system issue in regard to FTB data or the transfer or maintenance thereof, the Contractor will notify FTB within 24 hours.
3. Should the Contractor identify a system issue in regard to security of debtor information, the Contractor will take steps to ensure no protected information is put in a position to be compromised while the system issue is ongoing.
4. Should FTB identify a system issue in regard to data transfer to or from the Contractor, or identify a system change that is required due to new legislation, FTB will notify the Contractor within 24 hours.

I.2.2: Classification of System Issues

1. At the time of the initial notification, the issue will be discussed and classified based on urgency and the scope of the effect the issue will have on debtors, FTB and the Contractor.
2. The classification scale will be as follows:
 - a. **RANK A (HIGHEST PRIORITY):** Consideration of these issues will be given the highest priority as they directly impact the core responsibilities of FTB to protect the debtor's privacy and prevent erroneous collection actions.

- b. **RANK B (CRITICAL):** These issues will be given a high priority, as their impact is immediate, mandated and time sensitive. Such system issues would include changes required by new legislation and hardware/software upgrades.
 - c. **RANK C (NON-CRITICAL):** Denotes system issues for which a corrective workaround is available, and/or for which no immediate risk to the debtor or FTB exists.
3. A system issue may be elevated in classification from non-critical if any of the following occur:
- a. On further investigation, it is determined that the issue directly affects the debtor's privacy or may cause erroneous collection action.
 - b. The time to correct and resolve such issue becomes excessive due to lack of responsiveness or adequate competency on the part of the Contractor.
 - c. The system issue reoccurs after it was purported to have been resolved.

I.2.3: Expected Response Times

The Contractor will be expected to respond to FTB within the timeframes set out in the table below.

	RANK A	RANK B	RANK C
Initial Response	1 business day	1 business day	1 business day
Subsequent Responses	2 - 4 hours	1 business day	2-3 business days

- 1. The initial response must be received within one business day.
- 2. The timeframes for subsequent responses have been reduced or lengthened based on the criticality of the system issue.
- 3. Continued failure to respond within the designated timeframes may result in a reduced responsiveness score in the Quarterly Performance Evaluation.
- 4. As stated in Section F, Quarterly Performance Evaluations, failure to meet the minimum score of 30 for IT Responsiveness will result in reduced placements for the following quarter, regardless of the overall quarterly score.

I.2.4: Resolution and Prevention of Future Occurrences

Once a system issue has been resolved, the Contractor will:

- 1. Maintain a written record of all steps taken to resolve the issue for the entire term of the Agreement, including any retention period for accounts in installment agreements to prevent disruption of service in the case of any personnel change.
- 2. Perform system checks to ensure that any resolved system issues do not reoccur.

EXHIBIT J
ADDITIONAL PROVISIONS

J.1.0: INSURANCE REQUIREMENTS

1. As required by state law, throughout the period of this Agreement, the Contractor must maintain in force a valid Worker's Compensation Insurance Policy for all employees engaged in the performance of this Agreement and must agree to furnish to the state satisfactory evidence thereof at any time the state may so request.
2. At the time of Agreement award, the Contractor must supply to FTB the following insurance requirements:
 - a. Certificate of Insurance as proof of Public Liability.
 - b. Error and Omissions Insurance.
 - c. Blanket Fidelity Bond in the amount of \$1,000,000.
 - d. The required insurance must be maintained one year after the expiration of the Agreement.
 - e. The required bond will be maintained not less than two years after the expiration of the Agreement.
3. The Contractor must purchase the policies at its expense. Each office of the Contractor involved in this Agreement must be covered.

J.2.0: BREACH OF AGREEMENT

1. In the event of any breach of this Agreement by the Contractor, the State may, without any prejudices to any of its other legal remedies, terminate this Agreement upon five days written notice to the Contractor.
2. In such an event the State will pay only for the reasonable value of the services theretofore rendered by the Contractor (plus expenses incurred) as agreed upon by the parties hereto or determined by a court of law.
3. In no event will the foregoing be construed to reduce the Contractor's rate below those used as a basis for the Agreement budget.

J.3.0: MONITORING AND EVALUATION OF CONTRACTOR'S PREMISES

1. To assure compliance with the Agreement, FTB has the right to enter the Contractor's premises during normal working hours to inspect, monitor or otherwise evaluate their work performance in regard to FTB account referrals.
2. As such, the Contractor will maintain all records on accounts referred by FTB in a facility within the United States and will ensure that all Contractor personnel with access to such accounts work at facilities located within the United States.

J.4.0: SUBCONTRACTING

1. Without the prior written consent of FTB, the Contractor will be prohibited from subcontracting any of FTB's collection accounts to any other organization, association, individual, corporation, partnership, or group of individuals or other such entity.
2. If consent is given, such Subcontractor must be bound by all terms and conditions of the Contractor's agreement with FTB.

J.5.0: RELEASE OF INFORMATION BY CONTRACTOR

No reports, information, discoveries, or data obtained, assembled, developed, by the Contractor pursuant to this Agreement will be released, made available to any person, or used in any manner by the Contractor in other activities without prior written approval of FTB.

J.6.0: PATENTS

1. Whenever any invention or discovery is conceived or first actually reduced to practice by the Contractor or its employees in the course of or under this Agreement, the Contractor will promptly furnish FTB's authorized representative complete information thereon, and FTB will have the sole power to determine whether a patent application will be filed, and to determine the disposition of the rights in and title to any invention or discovery and any patent application or patent that may result.
2. The judgment of FTB on these matters will be accepted as final.

J.7.0: COPYRIGHTS

1. FTB is to retain ownership of all original material resulting from this Agreement unless expressly agreed to in writing.
2. No reports or other documents produced in whole or in part under this Agreement will be the subject of an application for copyright by or on behalf of the Contractor or their Subcontractor without the express written authority of FTB.
3. The State of California will have unrestricted authority to publish, disclose, distribute, and otherwise use in whole or in part, any reports, data, or other materials prepared under this Agreement.

J.9.0: GENERAL

1. The State will not reimburse the Contractor for expenses incurred in the performance of this Agreement, including travel expenses and per diem in accordance with the rates authorized by the State.
2. The State reserves the right to modify, reject, cancel or stop any and all plans, schedules or work in progress. In such event, the Contractor agrees to use all reasonable efforts to mitigate expenses and obligations hereunder. The State will reimburse the Contractor for all satisfactory services rendered and expenses, if any, incurred prior to such notice of termination, as well as the fees withheld in accordance with this Section, and will hold the Contractor harmless from commitments therefore reasonably made in performance of the duties prescribed under the terms of this Agreement.
3. The Contractor represents that he or she has or will secure at its own expense all staff, including subcontractors and legal staff, required to perform the services described in this Agreement. Such personnel will not be employees of or have any personal contractual relationship with any governmental entity. Such personnel will work at facilities located within the United States.
4. The Contractor cannot, as a means of executing this Agreement, without the written consent of FTB, directly use or imply to a debtor that they use any of the tools of collection granted to the Franchise Tax Board. This includes, but is not limited to: stating or implying that the Contractor will seize real or personal property, issue liens, seize assets, or report information granted FTB to outside sources.
5. During the performance of this Agreement, the Contractor and its subcontractors will not unlawfully discriminate against any entity that is contacted during the pursuit of collecting FTB referred liabilities. Debtors will not be unlawfully discriminated against because of race, religion, color, national origin, ancestry, physical handicap, medical condition, marital status, age (40 and over), gender or sexual orientation.
6. In accordance with this status as an independent contractor, the Contractor agrees that it will conduct itself consistent with such status, that it will neither hold itself out as nor claim to be an officer or employee of the State and that it will not make any claim, demand or application to or for any right or privilege applicable to an officer or employee of the State including, but not limited to, workers' compensation coverage, unemployment insurance benefits, social security coverage or retirement membership or credit.
7. It is to be understood that, although entering into this Agreement, the State disclaims any obligation to employ the Contractor's services or pay royalties of any type as to future programs that may take place as a result of this Agreement.
8. FTB, upon thirty days prior written notice, may cancel this Agreement.

**EXHIBIT K
SAMPLE FORMS**

K.1.0: SAMPLE WEEKLY PAYMENT REPORT

WEEKLY PAYMENT REPORT

Statement Period		Contractor Information			Client Information				
Start Date: 10/01/10 End Date: 10/02/10		CONTRACTOR NAME CONTRACTOR STREET ADDRESS CITY, ST ZIP CONTACT: CONTACT PERSON'S NAME CONTACT PERSON'S PHONE NUMBER			CALIFORNIA FRANCHISE TAX BOARD ATTN: RRSB.CCLEADS ext 1135 MS-A413 SACRAMENTO, CA 95827 CONTRACT # - CXXXXXXX				
Fee Percentage 18.00%		Account Information			Pay To Contractor			Pay To FTB	
Name	Account	Pynt Date	Payment	Credit	Commission	Payment	Commission		
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/17/2010	\$53.00		\$9.54			\$0.00
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/16/2010	\$220.00		\$39.60			\$0.00
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/17/2010	\$300.00		\$54.00			\$0.00
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/16/2010	\$30.00		\$5.40			\$0.00
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/16/2010	\$0.00		\$0.00	\$34.42		\$6.20
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/17/2010	\$100.00		\$18.00			\$0.00
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/16/2010	\$63.00		\$11.34			\$0.00
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/16/2010	\$36.00		\$6.48			\$0.00
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/16/2010	\$62.00		\$11.16			\$0.00
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/17/2010	\$0.00		\$0.00	\$164.98		\$29.70
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/17/2010	\$45.02		\$8.10			\$0.00
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/17/2010	\$400.00	\$400.00	\$0.00			\$0.00
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/17/2010	\$60.51		\$10.89			\$0.00
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/16/2010	\$25.00		\$4.50			\$0.00
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/16/2010	\$50.00		\$9.00			\$0.00
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/17/2010	\$99.37	\$19.86	\$14.31			\$0.00
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/17/2010	\$75.00		\$13.50			\$0.00
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/16/2010	\$0.00		\$0.00	\$200.00		\$36.00
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/16/2010	\$0.00		\$0.00	\$100.00		\$18.00
LAST NAME	FIRST NAME	xxx-xx-xxxx	09/16/2010	\$0.00			\$324.00		\$58.32
TOTALS				\$1,618.90	\$419.86	\$215.82	\$823.40		\$148.22
TOTAL COLLECTIONS LESS CREDITS				\$2,022.44		COMMISSIONS	\$364.04		

FIELDS

1. Statement Period – One week, beginning on Sunday and ending on Saturday. If a calendar month ends in the middle of the week, the Statement period may be less than one week (e.g., beginning of the week to the end of the calendar month, or beginning of the month to the end of the week).
2. Contractor Information – Name and address of the Contractor, including name and phone number of the contact person for invoices.
3. Client information – FTB information as shown in the sample.
4. Fee Percentage – Commission rate for the statement period (either the Base Commission Rate or the Sliding Scale Commission Rate, whichever is applicable for the statement period).
5. Account Information (Name) – Debtor's last name and first name.
6. Account Information (Account) – FTB's account number.

7. Account Information (Pymt Date) – In the case of payments received by the Contractor, the payment date is the date the Contractor received the payment. In the case of payments received by FTB, the payment date is the date FTB posted the payment (provided to the Contractor at the time the Contractor is notified of the payment).
8. Pay to Contractor (Payment) – Total amount of payment received by the Contractor.
9. Pay to Contractor (Credit) – If the payment exceeded the referred liability, the amount by which the payment that exceeded the liability.
10. Pay to Contractor (Fee) – The commission amount (total amount of payment minus any credit balance multiplied by the fee percentage).
11. Pay to FTB (Payment) – Total amount of payment received by FTB and reported to the Contractor.
12. Pay to FTB (Fee) – The commission amount (total amount of payment multiplied by the fee percentage).
13. Totals – The sums for each of the payment, credit, and fees columns on the report.
14. Total Collections – Total payments received by the Contractor and FTB minus any credit.
15. Commissions – Total commission amount earned by the Contractor for the statement period.

K.2.0: SAMPLE MONTHLY INVOICE

Company Logo can be inserted here if desired.

REMIT TO:

COMPANY NAME
 COMPANY ADDRESS
 CITY, STATE ZIP CODE
 CONTACT: Name and Phone Number of Contact Person

CLIENT

FRANCHISE TAX BOARD
 MAIL STOP A-413
 ATTN: RRSB.CCLEADS ext 1135
 SACRAMENTO, CA 95827

INVOICE NUMBER:

Unique Invoice Number for each month (e.g. 1234567)

INVOICE DATE:

Date of the Invoice (e.g., 07/02/07)

BILLING PERIOD:

Calendar Month (e.g., 06/01/07-06/30/07)

FTB CONTRACT NUMBER:

FTB Contract Number (e.g., C1234567)

STATEMENT PERIOD

TOTAL COLLECTIONS

COMMISSION DUE

06/01/07-06/02/07	\$10,000.00	\$1,000.00
06/03/07-06/09/07	\$20,000.00	\$2,000.00
06/10/07-06/16/07	\$10,000.00	\$1,000.00
06/17/07-06/23/07	\$15,000.00	\$1,500.00
06/24/07-06/30/07	\$30,000.00	\$3,000.00

Total Collections

\$85,000.00

Commission Due Contractor

\$8,500.00

K.3.0: SAMPLE QUARTERLY AUDIT SCORECARD

CRITERIA	MAXIMUM POINTS	Contractor #1	Contractor #2
REVENUE			
Largest amount recovered	20	20	
Second amount recovered	15		15
SUBTOTAL: REVENUE	20	20	15
CUSTOMER SERVICE			
No Complaints	30	30	30
# of Level 1 (Subtract 1 for Each)		1 (-1)	1 (-1)
# of Level 2 (Subtract 2 for Each)		1 (-2)	
# of Level 3 (Subtract 3 for Each)		1 (-3)	
SUBTOTAL: SERVICE	30	24	29
QUARTERLY AUDIT			
Accounts Timely Worked	10	8	9
Call Monitor Score	10	7	8
SUBTOTAL: QUARTERLY AUDIT	20	15	17
IT RESPONSIVENESS			
Responsiveness	10	10	10
Competency	10	10	0
Cooperation	10	10	10
SUBTOTAL: IT RESPONSIVENESS	30	30	20
TOTAL SCORE:	100	89	81

EXHIBIT L
INFORMATION EXCHANGES

L.1.0: RECORD LAYOUTS

Attached* are the record layouts and code tables for the files used by the Contractor and FTB to exchange information. The code tables contain descriptions of specific field information used in the information exchange process.

* **Please Note:** Record layouts are proprietary and will not be provided until the Contractor signs the Agreement.

EXHIBIT M
COST PROPOSAL SUBMITTED BY CONTRACTOR

FTB will determine cost by factoring the fee percentage bid on Personal Income Tax Collections and the Total Target Recovery Rate estimated by the Bidder based on the Debt Profile provided in Section B.5.3, Volume, for the three-year period in order to determine the best value to the State.

The State will have the option of renewing the awarded Agreement for up to two additional years in single year increments. Commission rates for subsequent years of the Agreement will be adjusted, using the Performance-Based Sliding-Scale Compensation Formula, depending on the extent to which the Contractor's recovery meets, exceeds, or falls short of the Target Recovery Rate for the previous year - without compromising FTB's customer service goals. Failure to meet FTB's customer service goals may result in a reduction in placements, forfeiture of a sliding scale commission increase, or termination of the Agreement.

Commission Percentages, Recovery Rates, and the level of customer service to be provided will be binding for the term of this Agreement, including any additional years. In no case will the Contractor receive a sliding scale compensation rate lower than 5% or higher than 30% at any time during the period of the Agreement.

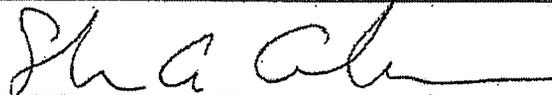
Note: No litigation collections will be required or permitted.

For purposes of computing the Total Target Recovery Rate for the Agreement and for purposes of determining the Performance-Based Sliding Scale Compensation in subsequent years of the Agreement, provide the Target Recovery Rate for each potential year of the Agreement, using the distribution of accounts set out in Section B.5.3, Volume.

Target Recovery Rate Year 1	Target Recovery Rate Year 2	Target Recovery Rate Year 3
1.75 %	2.50 %	3.75 %

Average the yearly target recovery rates above to compute the Total Target Recovery Rate and enter it in the appropriate box below. The figures for Base Commission Rate and Total Target Recovery Rate entered in the boxes below will be used to determine the best value to the State and the Bidder's cost.

Base Commission Rate (Not to exceed 25%) 15 %	Total Target Recovery Rate (3 Years) 2.67 %
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Authorized Representative Signature

February 14, 2012
Date