

Department of Treasury

Internal Revenue Area

RFP for Technological Improvements for Collections and Fiscalization of Sales and Use Tax

March 12, 2010

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Section I: Introduction

The Puerto Rico Department of the Treasury ("PRDT") is issuing this Request for Proposal ("RFP") for improvements in sales and use tax collection. The Government Development Bank of Puerto Rico ("GDBPR") is advising PRDT and GDBPR has hired First Annapolis Consulting, Inc. ("First Annapolis") to assist with the RFP process. The PRDT invites vendors to submit proposals for consideration as the Program Manager to develop and support the PRDT in implementing improvements for the collection of Puerto Rico's sales and use tax ("SUT") as further described in this RFP. The Program Manager will work with the PRDT and other third parties as needed to develop the necessary processes, systems, and business requirements to complete the following initiatives:

1. Develop a technical solution that helps the PRDT improve the sales and use tax ("SUT") collection rate by providing incentives for compliance through a lottery system (as further described herein).
2. Develop the necessary systems and processes to ensure proper use, compliance, and auditing of the solution by the PRDT and other stakeholders.
3. Work with the PRDT and other entities impact by SUT collections to develop the requirements necessary to effectively implement the solution.
4. Address any outstanding problems or issues created as a result of implementing the proposed solution.

Implementing a viable solution to improve Puerto Rico's SUT collection rate is a critical short-term objective for the PRDT. It is therefore necessary that prospective vendors fully address in their proposals how they will handle the business requirements and potential issues currently envisioned by the PRDT to implement such a solution. Further, it is also necessary that prospective vendors demonstrate extensive experience in implementing a solution of this magnitude and that the proposed solution is comprehensive and easy to execute.

This initiative will cover the transactions of all tender types at the approximately 60,000 existing merchants with payment card terminals plus an additional approximately 50,000 merchant which are currently cash and check merchants. (Bidders should make their own estimates as to market size).

To qualify for consideration, vendor proposals must comply with the provisions, terms, and conditions of this RFP.

This document sets forth the high-level requirements of the Program Manager for the compliance solution that is currently envisioned by the PRDT and solicits responses from vendors to propose a solution based on these requirements and to include service descriptions in the specified format.

The PRDT requests questions to be received at the PRDT at the email address IVULotto@hacienda.gobierno.pr per the schedule of events listed in Section V of this document.

Section II: Current Environment

A. Current SUT Collection Process

Act No. 117 of July 4, 2006 amended the Puerto Rico Internal Revenue code of 1994, as amended, to provide, among other things, for a general sales and use tax of 5.5% imposed by the Commonwealth on the sale of a wide range of goods and delivery of various services. Act 117 also authorized each municipal government to impose a municipal sales and use tax of 1.5%. In general, the municipal sales tax has the same tax base, exemptions (except for non-prepared foods) and limitations as provided for the Commonwealth Sales Tax.

The Commonwealth Sales Tax is imposed on the sale, use, consumption, and storage of taxable items, which include tangible personal property, taxable services, admission rights and certain other types of transactions covering separable and identifiable taxable items which are sold for a single price, subject to certain exceptions and limitations. The Secretary of the Treasury has the authority to establish by regulation the conditions for exemption from the tax. Certain articles and items, including items purchased for resale by merchants, are currently exempted by the Treasury from the tax.

The Commonwealth Sales Tax went into effect on November 15, 2006. Since implemented by the Government of Puerto Rico, total Commonwealth Sales Tax collections have been on average over \$90 million per month. In the current collection process, the general guidelines and procedures are as follows:

- Merchants and retailers are required to collect the Commonwealth Sales Tax from the consumer; otherwise the consumer is required to pay the tax.
- Each merchant and retailer is currently required to file a monthly return detailing all taxable transactions for the prior month no later than the 10th day of each month. Certain large merchants and retailers are required to file their return electronically. Merchants and retailers remit select Municipal and Commonwealth sales and use tax collected during the prior month to First Data Corp., Banco Popular, or any other Authorized Collector designated by the Secretary of the Treasury.
- The Authorized Collectors are then required to transfer sales and use tax payments to the Treasury and the appropriate Municipalities.

B. Desired Technical Improvements

Improving Puerto Rico's SUT collection rate and bringing it up to parity with that of other effective jurisdictions is one of the critical short term objectives of the PRDT. A study published in March 2009 by the College of Certified Public Accountants Foundation estimated that the Treasury Department collects approximately 52% of potential sales and use tax revenues. The Treasury has cited several potential reasons for the disparity between collected vs. potential SUT revenue under the present collection process, including noncompliance with sales tax laws, tax evasion by merchants and resellers, and lack of accurate reporting and auditing systems for cash-based transactions.

The PRDT recently announced several initiatives directed towards increasing SUT collections through the implementation of aggressive enforcement and compliance programs. One of these initiatives is to implement a technological solution that will help not only improve the SUT collection rate but also automate the way taxpayers and withholding agents report their sales. Specifically the PRDT would like the compliance solution to address, at a minimum, the following objectives.

Objectives:

1. Provide a mechanism to incent taxpayers (consumers) to use the system implemented by the PRDT for SUT collections by creating a lottery consumers participate in through the printing of a lottery number on a receipt.
2. Improve our existing SUT collection rate substantially above current levels.
3. Eliminate or dramatically reduce evasion both by taxpayers and resellers.
4. Increase the accuracy of SUT returns.
5. Provide improved and immediate ability to audit and track purchases made by consumers and resellers.
6. Streamline the mechanism for collected tax payment and filing.

Improve the speed with which monies withheld by merchants can be paid to the PRDT bank account.
7. Provide electronic transfer mechanisms, electronic access and reporting tools that would enable the PRDT to exchange data effectively with the selected vendor in order to keep timely (daily) records of all captured data.
8. Provide a unified web portal for merchants (with appropriate security and segregation) to provide the following functionality:
 - a. The web portal will include transaction data associated with the IVU lottery as a point of research and reconciliation for merchants.

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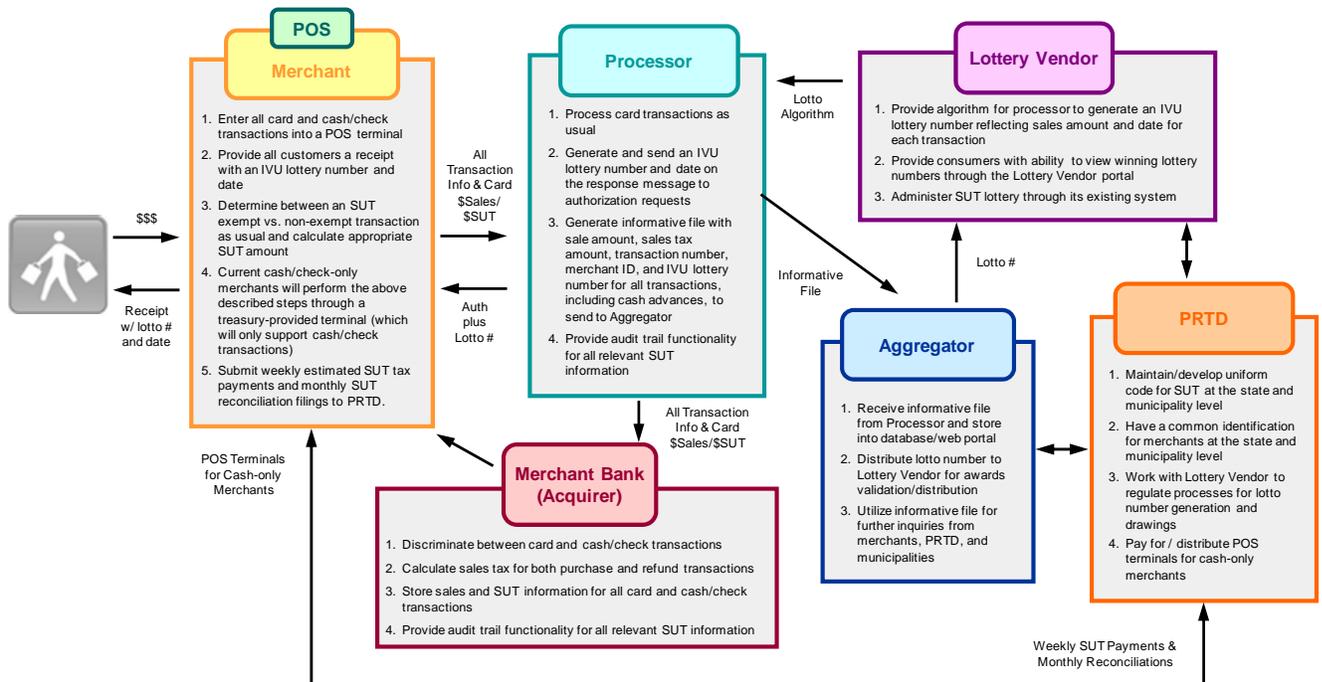
- b. Hacienda's authorized personnel will be able to provide various administrative tasks related to all sales and use tax transactions performed.
 - c. The web portal will be hosted by the vendor.
- 9. For terminals deployed to cash and check merchants that do not currently have payment card terminals, the title to the equipment would be owned by the PRDT and managed by the Vendor during the term.

Section III: Envisioned Solution

The following section provides the PRDT’s working hypothesis of a compliance solution that meets its stated objectives. Vendors should use this section as the basis for developing their response to the RFP with regards to the processes/systems, vendor requirements, and outstanding issues that the PRDT currently envisions for a compliance solution that meets its objectives. Vendors must therefore propose a solution that, at a minimum, addresses the items outlined in this section.

As part of their responses, vendors should also provide feedback on the working hypotheses outlined in this section, including how the vendors’ own proposed solutions differ or improve upon the compliance solution currently envisioned by the PRDT.

Overview of POS Solution Envisioned by the PRDT



A. Envisioned Processes and Systems

The PRDT currently envisions that the compliance solution should include, at a minimum, the development and/or implementation of the following processes and systems:

1. **A weekly SUT Payment Process and Monthly Filing and Reconciliation Process:** The vendor will facilitate a process in which merchants make weekly estimated tax payments that will be reconciled in a monthly filing process.
2. **Daily Capture of all SUT Transaction Information:** The vendor will establish a daily mechanism to capture all relevant information for SUT collection at the point-of-sale for all tender types (including cash, checks,

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credit, and debit cards). We anticipate that the Program Manager will have or develop business requirements to ensure the following:

- a. Merchants that currently accept card transactions shall have appropriate POS terminals that can:
 - i. Allow merchants to enter both card and cash/check transactions (card transactions authorizing and clearing as normal; cash transactions will be information only).
 - ii. Associate each transaction to the appropriate merchant location.
 - iii. Identify and associate sales made by merchants to resellers, which are exempt from SUT payments.
 - iv. Generate a unique IVU Lottery Number for each transaction made that will be printed on the consumer receipt.
 - v. Capture and store the following data for all transactions (at a minimum): Amount paid, Date purchased, SUT paid, IVU Lottery Number if applicable, Merchant Registration Number where purchased, Merchant Registration Number of Purchaser if applicable, Payment type (cash, check, debit card, credit card)
 - b. All participating merchants have the ability to batch transactions on a daily basis.
 - c. Acquirers and processors have or develop the host *capture* or *force* post functionalities or other capabilities to ensure merchants batch transactions daily.

There is a solution in place to reconcile merchant funds availability with the proposed daily SUT remittance schedule.
 - d. Cash-only merchant outlets that currently do not have terminals are provided new terminals that fit the above specifications at no cost to the merchant. These terminals will not support credit and debit card transactions. If the merchant wishes to accept credit and debit transactions, he must get the related terminal and services from an acquiring bank.
 - e. All POS terminals of participating merchants have the capability to transfer all SUT-relevant data to acquirers.
- 3. IVU Lottery:** The vendor will work with the PRDT, acquirers/processors, and any lottery vendor hired by PRDT to administer a weekly lottery process based on receipts from SUT-eligible transactions in order to encourage consumers to use the system and assist in the compliance process in order to improve the auditing capabilities of the system. We anticipate that the Program Manager will have or develop business requirements to ensure the following:

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- a. Merchants can provide a unique identification number for each transaction made in the system that will be printed on the invoice or evidence of purchase.
 - b. The information related to all transactions processed, which will include the unique Lottery number if appropriate, will be made available to the PRDT.
 - i. The PRDT will receive this information in electronic format.
 - ii. The PRDT will also establish criteria with which the unique identification number will be generated (i.e., there will be situations in which it will not be desirable for a transaction number to be printed on the invoice or its facsimile).
- 4. Central Aggregation System:** The vendor will develop the necessary systems and processes to aggregate SUT-related data among all key payment and tax collection entities. The PRDT currently assumes that the vendor selected as Program Manager will also assume the role of Aggregator of SUT data. The PRDT therefore requests vendors include in their proposed solution how they will address the anticipated requirements for this role, which include, but are not limited, to the following:
- a. The Aggregator must be able to receive, store, and transfer SUT information from processors to the PRDT and other entities involved with SUT payments and collections.
 - i. As Program Manager and Aggregator, the vendor will ultimately be responsible for developing the specifications for this informative file.
 - ii. The Program Manger must also therefore ensure connectivity to all processors, acquirers, the PRDT, and lottery vendors.
 - b. The Aggregator must create requirements for POS software solutions that acquirer/processors will use to enable existing POS terminals.
 - i. The selected vendor will recommend to the PRDT necessary mandates for merchants and thus their acquirers/processors to implement the requirements of its proposed solution.
 - c. The Aggregator must be able to reconcile debits and credits among merchants, the PRDT, and other municipalities.
 - d. The Aggregator must also provide electronic access and reporting tools that would enable the PRDT to exchange data effectively with the selected vendor in order to keep timely (daily) records of all capture data.
 - i. The Aggregator can address this requirement with the capabilities of unified web portal (see #6).

5. **Unified Web Portal**: The vendor will develop and host a unified web portal to record, track, and audit SUT related information. The web portal shall comply with industry data security standards such as PCI-DSS. The Program Manager will ultimately be responsible for this web portal, which should at a minimum have the following capabilities:
- a. The web portal will provide an electronic audit trail for sales made at the merchant level.
 - b. Provide transaction history for up to 6 years in the appropriate media.
 - c. Provide for appropriate security, segregation, and access at the relevant levels.

In response to this RFP, the PRDT requests that vendors propose a solution that describes their capabilities regarding the requirements above. Vendors will also have the opportunity to propose their own additional considerations and business requirements (that meet, at a minimum, the standards above) with regards to a viable IVU Lottery solution.

B. Anticipated Requirements for Program Manager

Based on the PRDT's working hypothesis for an IVU Lottery solution, the solution proposed by vendors for consideration as Program Manager should provide at minimum the functionality mentioned below. The list of anticipated requirements below assumes that the PRDT will request the vendor to assume the role of Aggregator of SUT collections and payments in addition to overall Program Manager of the proposed solution. Additional functionality the vendor proposes will be considered if it provides added value to the PRDT.

1. Receive an informative file from all processors with the necessary information for SUT collections plus IVU Lottery Numbers and Lottery Date, and store it in a unified web portal (which the Program Manager will develop).
2. Establish means at the processor and/or merchant level for a lottery algorithm to establish a lottery number for each transaction, which will be printed on a receipt at the point of sale.
3. Store all transactions in a database and provide unified web portal through which the participating municipalities, PRDT, and merchants, will have access to examine the information, each with predefined viewing privileges and related security.
4. Pass all relevant SUT information elements to the PRDT (Merchant Registration Number, tax ID, sales amount, SUT amount, Lottery Number, etc.).
5. Provide PRDT business activity monitoring and reporting through Business Intelligence tools.

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6. Write the requirements for terminal applications and hardware to implement its proposed compliance solution for card and cash/check transactions.
7. Manage POS software/hardware updates and certifications to implement the proposed solution at all card accepting merchant locations.
8. Develop, manage, and deploy new POS terminals that fit the necessary requirements of the proposed solution for cash-only merchants.
9. Assist the PRDT in developing the new receipt design containing the Lottery Number and Date.
10. Provide the PRDT with recommendations on specific responsibilities, requirements, and mandates for merchants and financial institutions with regards to this IVU Lottery.
11. Ensure appropriate data security standards for the solution.
12. Facilitate reconciliation and an audit trail for PRDT and other stakeholders.

C. Outstanding Issues to Envisioned Solution

The PRDT recognizes a range of currently open issues related to the successful implementation of the IVU Lottery, and the Vendor is requested to propose alternatives to addressing these issues.

Merchant Issues

1. Merchants must update or replace POS terminals to ensure that the proper information is collected and distributed for daily SUT remittance.
 - Describe how the program can facilitate the update or replacement of POS hardware and systems to facilitate implementation.
2. Diagram how your proposal will work in various merchant POS scenarios and configurations (terminals and various types of integrated POS systems).
3. Estimate development needs for a typical acquirer or merchant.
4. Describe the certification and testing environment you would put in place.
5. Vendors must propose a solution that can also be implemented for e-commerce merchants and apply to alternative online payment forms. Describe your proposal on how this might be achieved.
6. The Program Manger must provide new terminals that fit the relevant specifications to cash-only merchants that currently do not have terminals. The program manager will must provide the relevant terminal deployment and management services for these terminals.

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7. All merchants will need to retrain staff to properly use these terminals to ensure that they are capturing the appropriate SUT information, and to avoid potential time/operational hindrances on daily transaction activity as a result of using these terminals.
 - The Program Manager will ultimately be responsible to either directly educate merchant groups or provide the necessary information to acquirers/ processors to educate their merchants. Describe your approach.
8. The Program Manager must develop the business requirements necessary for merchants to batch transactions on a daily basis and to provide their processors/acquirers with the appropriate SUT information for all transactions. Describe your approach.
9. The IVU Lottery might, in limited circumstances, incent consumer behavior in which the consumer makes multiple purchases instead of a single purchase to receive multiple lottery numbers. Similarly, a consumer might buy goods with the intent of returning them later in order to receive a lottery number. Indicate how these side effects might be reduced or eliminated.
10. Merchants will support diverse tender types in addition to cash, cards, and checks including private label credit cards and gift cards. Please describe how these tender types will be supported.

Acquirer/Processor Issues

1. Processors must also be able to handle and generate a unique lottery number and data on the response message to authorization requests.

Vendors must include in their proposed solution how they will work with other Processors to effect development at the switch to have access to the algorithm needed to generate lotto numbers. The vendor must address how lottery numbers will be generated for tender types that have different routing paths than credit cards –e.g. private label cards in some cases and debit cards in some cases.
2. Processors will also need to generate an informative file for all transactions that can be stored/transferred and includes (at a minimum): Amount paid, Date purchased, SUT paid, IVU lottery number if applicable, Merchant Registration Number where purchased, Merchant Registration Number of Purchaser if applicable, Payment type (cash, check, debit card, credit card). The Program Manger will be responsible for writing the requirements for this informative file.
3. Acquirers/processors will likely need to work with vendors to update/re-certify terminal applications and hardware to fit the proposed specifications of the POS solution. Describe your approach and the anticipated process and timeline to effect certification.
4. Acquirers/processors will also likely need to work with merchants that currently accept cards to update POS terminals to the proposed

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specifications and provide these merchants sufficient education on changes from existing processes. Describe how you will achieve this and related processes and time lines.

5. Acquirers/processor will need to reconcile and store relevant information for cash and check transactions. Describe your approach to developing these requirements and effecting the appropriate development at the acquirer level.
6. What fraud risks to you see and what steps can you take to mitigate fraud or assist stakeholders in mitigating fraud?
7. What audit processes do you recommend and at what levels of the process?

IVU Lottery Issues

1. The Program Manager must work with the PRDT's lottery vendor to develop and share with processors and other stakeholders as appropriate an algorithm to generate a unique lottery number for all transactions or devise another mechanism to transmit lottery number to merchants for printing on receipts. Describe what you think is the optimal approach to generating these numbers, given the diversity of merchant POS environments and the diversity of transaction routing from the POS to the relevant payment system. For example, at what points in the system should the lottery algorithms reside and what are the alternatives?
2. The Program Manager, the lottery vendor, and the PRDT must also ensure that the lottery drawing generates a winner every time. Identify any issues you see in achieving this outcome and how you propose to address these issues.

Other Implementation Issues

1. The Program Manager must recommend to the PRDT the necessary business requirements and mandates for merchants and other appropriate stakeholders involved with the IVU Lottery to ensure compliance to the solution and avoid any negative impacts to daily commerce and transaction flow.

In response to the RFP, vendors must provide detail on how they will address these issues. Vendors will also have the opportunity to outline any additional issues that they foresee with their proposed solution and to provide detail on how they will address these additional issues.

D. Envisioned Implementation Approach to Solution

As previously mentioned, implementing an IVU Lottery that improves Puerto Rico's SUT collection rate is a short term objective of the PRDT, but the PRDT also understands the long-term benefits to implementing the solution as broadly as possible. It occurs to the PRDT that implementation processes could conceivably differ based on whether or not the winning bidder has a pre-existing POS network, and though the PRDT has no

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pre-disposition regarding vendors that have networks, it is interested in understanding the implications. Based on this understanding, please describe your implementation approach including the following topics:

Vendor's Existing POS Terminal Network, if any

- a. Detailed design of the proposed solution, including development of the necessary business requirements and processes to implement the solution within the Program Manager's existing network, if any.
- b. Validation of the functionality of the solution with the PRDT.
- c. Development of the necessary features, functionality, and systems to implement the solution within the Program Manager's existing network.
- d. Review of operational functionality and necessary quality testing.
- e. Rollout of the proposed solution to the Program Manager's existing network, including any activation and distribution related to the proposed solution.

Merchant POS not in the Vendor's Existing POS Terminal Network, Including Cash & Check Merchants

- a. Development and recommendation of any necessary mandates to ensure the implementation of the proposed solution to other acquirers/processors and their merchants.
- b. Communication and training with other acquirer/processors and their merchants, certification support, and other efforts as necessary to implement the proposed solution effectively.
- c. Development and deployment of terminals to the cash & check-only merchant population.

While vendors will have the opportunity to propose their own approach to the IVU Lottery and/or provide feedback on the phasing above, the PRDT will evaluate vendors on their ability to complete tasks similar to those outlined in the categories above in a cost- and time-efficient manner.

Section IV: General Conditions

1. DISCLAIMER

This RFP is not an offer to contract. Acceptance of a proposal neither commits the PRDT to any vendor, even if all requirements stated in the RFP are met, nor in any way limits our right to negotiate or act in our best interest.

The PRDT reserves the right to exclude any vendor from the RFP process and to contract with a vendor for reason other than the lowest rate.

Failure to provide the requested information in this RFP may subject the vendor to disqualification. Failure to meet a qualification or requirement will not necessarily subject a proposal to disqualification.

2. VALID PERIOD OF OFFER

The pricing, terms, and conditions stated in your response must remain valid for 120 days from the date of delivery of the proposal to the PRDT and First Annapolis.

3. CONTRACT/AGREEMENT NEGOTIATION

When deemed appropriate by the PRDT, selected/winning vendor(s) shall be required to meet on-site at the PRDT's headquarters in order to complete and sign off an agreement/contract at a mutually agreeable date(s). It is expected that the vendor will have staff either present or via conference phone that have the authority to resolve all contracting issues. This "on-site" negotiation will reduce time and cost in negotiating an agreement for both parties and help to minimize delays in implementing an Agreement.

4. RIGHT OF REJECTION

The PRDT reserves the right to accept or reject any or all responses to this RFP and to enter into discussions and/or negotiations with one or more qualified vendors at the same time, if such action is in the best interest of the PRDT.

5. BEST AND FINAL OFFER

Vendors are expected to submit their best bid in their initial response. This bid will be used in determining finalists. However, the PRDT reserves the right to request a best and final offer. The award will become final at the successful conclusion of contract negotiations.

6. COST OF PROPOSALS

Expenses incurred in the preparation of information in response to this RFP are the vendor's sole responsibility.

7. OWNERSHIP OF PROPOSAL

The PRDT has the right to retain ownership of all responses which are submitted in response to this RFP.

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8. INSURANCE

The vendor agrees to:

- A. Obtain insurance coverage of the types and amount required in this section and keep such insurance coverage in force throughout the life of this contract. All policies will contain an endorsement providing that written notice be given to the PRDT at least ten (10) calendar days prior to termination, cancellation, or reduction in coverage in any policy.
- B. The Commercial General Liability and Automobile Insurance policy shall include the PRDT as an additional insured party with respect to liability arising out of the performance of this contract. The Contractor agrees that the insurance hereunder will be primary and that any insurance carried by the PRDT will be excess and not contributing.
- C. Provide and maintain minimum insurance limits as follows:
 - (1) Coverage Afforded Limits of Liability
 - (2) Worker's Compensation Statute
 - (3) Employer's Liability \$500,000
 - (4) Comprehensive General Liability \$1,000,000 Bodily Injury and Property Damage
 - (5) Including: Combined Single Limit
 - (6) Products & Completed Operations
 - (7) Blanket Contractual Comprehensive Automobile \$1,000,000 Bodily Injury and Liability Insurance Property Damage
 - (8) Combined Single Limit
 - (9) Including:
 1. Non-owned
 2. Leased
 3. Hired Vehicles
 4. Automobile Physical Damage Insurance Actual Cash Value

PRDT Contractor will present to the PRDT written evidence (Certifications of Insurance) of compliance with Section 1., Items A., B., and C. above. Said evidence shall be to the Procurement Director's satisfaction.

9. CONTRACT TERM

The term of the contract shall commence upon award and shall remain in effect for a four (4) year period, unless terminated, canceled or as otherwise provided herein.

10. KEY PERSONNEL

It is essential that the contractor provide adequate experienced personnel, capable of and devoted to the successful accomplishment of work to be performed under this contract. The Contractor must agree to assign specific individuals to the key positions.

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- A. The Contractor agrees that, once assigned to work under this contract, key personnel shall not be removed or replaced without written notice to the PRDT.
- B. If key personnel are not available for work under this contract for a continuous period exceeding thirty calendar days, or are expected to devote substantially less effort to the work than initially anticipated, the Contractor shall immediately notify the PRDT, and shall, subject to the concurrence of the PRDT, replace such personnel with personnel of substantially equal ability and qualifications.

11. WARRANTY

At the end of the contract term the contractor shall provide a minimum of a two-year warranty for all equipment and materials, including labor, to repair or replace any defective components. Extended warranties for all major system components, such as the collectors, shall be listed in the vendor's proposal.

Section V: Response Preparation

A. Response Instructions

This section contains instructions governing the response to be submitted.

1. PRE-PROPOSAL CONFERENCE: ATTENDANCE AT THE ON-SITE PRE-PROPOSAL CONFERENCE IS MANDATORY:

The date and time of a prospective pre-proposal conference is indicated in Section VI of this document. The purpose of this conference will be to clarify the contents of this Request for Proposals in order to prevent any misunderstanding of the PRDT's position. Any doubt as to the requirements of this Request for Proposals or any apparent omission or discrepancy should be presented to the PRDT at this conference. The PRDT will then determine the appropriate action necessary, if any, and issue a written amendment to the Request for Proposals. Oral statements or instructions will not constitute an amendment to this Request for Proposals.

2. PROPOSAL FORMAT:

Original and 3 copies (4 total) of each proposal should be submitted on the forms and in the format specified in the RFP as well as an electronic version of the entire RFP in PDF format. The original copy of the proposal should be clearly labeled "Original" and shall be unbound and single-sided. The material should be in sequence and related to the RFP. **The sections of the submittal should be tabbed, clearly identifiable and shall include, at a minimum, the items outlined in the "Detailed Response Requirements" section of this document (Section V, D).** The PRDT will not provide any reimbursement for the cost of developing or presenting proposals in response to this RFP. Failure to include the requested information may have a negative impact on the evaluation of the vendor's proposal.

3. PREPARATION OF PROPOSAL:

- A. All proposals shall be on the forms provided in this Request for Proposal package. It is permissible to copy these forms as required. Facsimiles, telegraphic proposals or mailgrams shall not be considered.
- B. The offer and acceptance page shall be submitted with an original ink signature by the person authorized to sign the proposal.
- C. Erasures, interlineations, or other modifications in the proposal shall be initialed in original ink by the authorized person signing the vendor offer.
- D. In case of error in the extension of prices in the proposal, unit price shall govern when applicable.
- E. Periods of time, stated as a number of days, shall be in calendar days.
- F. It is the responsibility of all vendors to examine the entire Request for Proposal package and seek clarification of any requirement that may not be clear and to check all responses for accuracy before submitting a proposal. Negligence in preparing a proposal confers no right of withdrawal after due time and date.

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4. WHERE TO SUBMIT PROPOSALS:

In order to be considered, the vendor must complete and submit their proposal to the PRDT at the Internal Revenue Office, Office 620 of the PRDT San Juan headquarters located at: 10 Paseo Covadonga, San Juan, PR 00902, prior to the exact date and time indicated on the Notice of Request for Proposal page. The vendor's proposal shall be presented in a sealed envelope. The words "SEALED PROPOSAL" with SERVICE DESCRIPTION, REQUEST FOR PROPOSAL NUMBER, PROPOSAL DUE DATE AND TIME shall be written on the envelope.

5. OFFER AND ACCEPTANCE PERIOD:

In order to allow for an adequate evaluation, the PRDT requires an offer in response to this solicitation to be valid and irrevocable for one hundred and twenty (120) days after the proposal due date and time.

6. INQUIRIES:

Any and all questions related to this Request for Proposal shall be directed to IVULotto@hacienda.gobierno.pr. The vendor shall not request meetings, contact or ask questions directly to the PRDT or GDB. Questions should be submitted in writing when time permits. Any correspondence related to a solicitation should refer to the appropriate Request for Proposal number, page and paragraph number. Oral interpretations or clarifications will be without legal effect. Only questions answered by formal written Request for Proposal amendment will be binding.

7. DISCUSSIONS:

The PRDT reserves the rights to conduct discussions with vendors for the purpose of eliminating minor irregularities, informalities, or apparent clerical mistakes in the proposal, clarification of any offer to assure full understanding of, and responsiveness to solicitation requirements.

8. CONTRACT NEGOTIATIONS:

Exclusive or concurrent negotiations may be conducted with responsible vendor(s) for the purpose of altering or otherwise changing the conditions, terms and price, unless prohibited, of the proposed contract. Vendors shall be accorded fair and equal treatment in conducting negotiations and there shall be no disclosure of any information derived from proposals submitted by competing vendors.

9. AWARD OF CONTRACT:

Notwithstanding any other provision of the Request for Proposal, the PRDT reserves the right to:

- (1) Waive any immaterial defect or informality; or
- (2) Reject any or all proposals, or portions thereof; or
- (3) Reissue the Request for Proposal.

A response to any Request for Proposal is an offer to contract with the PRDT based upon the terms, conditions, and specifications contained in the PRDT's Request for Proposal. Proposals do not become contracts unless and until they are executed by the PRDT's Director of Procurement. A contract has its inception in the award, eliminating a

formal signing of a separate contract. For that reason, all of the terms and conditions of the contract are contained in the Request for Proposal, unless any of the terms and conditions is modified by a Request for Proposal amendment, a contract amendment, or by mutually agreed terms and conditions in the contract documents.

10. FAMILIARIZATION OF SCOPE OF WORK:

Before submitting a proposal, each vendor shall familiarize itself with the Scope of Work, laws, regulations and other factors affecting performance of work. It shall carefully correlate its observations with requirements of the Contract and otherwise satisfy itself as to the expense and difficulties attending the performance of the work. The submission of a Proposal will constitute a representation of compliance by the vendor. There will be no subsequent financial adjustment, other than that provided by the Contract, for lack of such familiarization.

11. LATE PROPOSALS:

Late proposals shall not be considered.

12. WITHDRAWAL OF PROPOSAL:

At any time prior to a specified solicitation due time and date a vendor (or designated representative) may withdraw the proposal. Facsimiles, telegraphic or mailgram withdrawals shall not be considered.

13. AMENDMENT OF REQUEST FOR PROPOSALS:

The vendor shall acknowledge receipt of a Request for Proposal amendment by signing and returning the document by the specified due time and date.

14. SUBMITTAL:

The offer and contract award sheet, the pricing schedule, and any solicitation amendments must be signed and returned with the vendor's proposal.

15. CONFIDENTIAL INFORMATION:

If a person believes that any portion of a proposal, bid, offer, specification, protest, or correspondence contains information that should be withheld, then the Procurement Director should be so advised in writing (price is not confidential and will not be withheld). The PRDT shall review all requests for confidentiality and provide a written determination. If the confidential request is denied, such information shall be disclosed as public information.

16. SUBCONTRACTORS:

Vendor must list any subcontractor to be utilized in performance of services herein. For each subcontractor, detail on respective qualifications must be included.

17. UPON NOTICE OF INTENT TO AWARD:

The apparent successful vendor shall sign and file with the PRDT, within five (5) days after Notice of Intent to Award, all documents necessary to the successful execution of the contract.

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18. EXCEPTIONS TO CONTRACT PROVISIONS:

A response to any Request for Proposal is an offer to contract with the PRDT based upon the contract provisions contained in the PRDT's Request for Proposal, including, but not limited to, the specifications, scope of services and any terms and conditions. Vendors who wish to propose modifications to the contract provisions must clearly identify the proposed deviations and any proposed substitute language. However, the provisions of the Request for Proposal cannot be modified without the express written approval of the Secretary or his designee. If a proposal or offer is returned with modifications to the contract provisions that are not expressly approved in writing by the Secretary or his designee, the contract provisions contained in the PRDT's Request for Proposal shall prevail.

19. PROPOSAL RESULTS:

The name(s) of the successful contractor(s) will be posted on the PRDT's website upon issuance of a notice of intent to award or upon final contract execution.

B. Key Events Timetable

Event	Date/Time
Issuance of RFP	March 12, 2010
Pre-Bid Conference	March 23, 2010
Deadline for Submission of Questions	March 30, 2010
Department Response to Bidder Questions	April 6, 2010
Deadline for Submission of Follow-up Questions	April 9, 2010
Department Response to Bidder Follow-up Questions	April 16, 2010
Proposals Due	April 26, 2010 (by 4:00 PM)
Notification of Intent to Award	May 14, 2010
Deadline for Contract Signature	June 1, 2010
Certification Date	September 15, 2010
Implementation Date	November 15, 2010

The PRDT reserves the right to modify any of the dates outlined above at its discretion.

C. Proposal Submission

Award of the contract resulting from this RFP will be based upon the most responsive Vendor whose offer will be the most advantageous to PRDT in terms of cost, functionality, and other factors as specified elsewhere in this RFP.

PRDT reserves the right to:

- Reject any or all offers and discontinue this RFP process without obligation or liability to any potential Vendor,
- Accept other than the lowest priced offer,

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- Award a contract on the basis of initial offers received, without discussions or requests for best and final offers, and
- Award more than one contract.

Vendor's proposal shall be submitted in several parts as set forth below. The Vendor will confine its submission to those matters sufficient to define its proposal and to provide an adequate basis for PRDT's evaluation of the vendor's proposal.

Vendors should use the content included in Section III of this RFP as the basis to formulate the proposed solution. The PRDT will evaluate vendors on their ability to meet or exceed the minimum requirements set forth in this section for the Program Manager/Aggregator role and to develop the necessary business requirements necessary to fully implement its proposed solution. Vendors should also provide in their proposals any feedback they may have on the envisioned solution as described in this RFP, including any additional requirements that they may deem necessary to improve upon this solution.

In order to address the needs of this procurement, PRDT encourages vendors to work cooperatively in presenting integrated solutions. Vendor team arrangements may be desirable to enable the companies involved to complement each other's unique capabilities while offering the best combination of performance, cost, and delivery for the solution being provided under this RFP. PRDT will recognize the integrity and validity of Vendor team arrangements provided that:

- The arrangements are identified and relationships are fully disclosed, **and**
- A prime vendor is designated that will be fully responsible for all contract performance.

Vendor's proposal in response to this RFP will be incorporated into the final agreement between PRDT and the selected vendor(s). The submitted proposals are suggested to include each of the following sections:

1. Executive Summary
2. Corporate Profile
3. Scope, Approach and Methodology
4. Project Deliverables
5. Project Management Approach
6. System Configuration and Innovation
7. Detailed and Itemized Pricing
8. Appendix: Detailed Pricing
9. Appendix: References
10. Appendix: Project Team Staffing
11. Appendix: Company Overview

The detailed requirements for each of the above-mentioned sections are outlined in Sub-Section D.

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1. BID BOND:

The proponents shall present, simultaneously with their proposals, a bid bond in original, and in the name of the Secretary of the Puerto Rico Department of the Treasury (Secretario del Departamento de Hacienda de Puerto Rico), equivalent to the fifteen percent (15%) of the total amount of the offer. This bid bond shall be issued by an Insurance Company dully authorized by the Office of the Commissioner of Insurance of Puerto Rico and a classification by A.M. Best Company of not less than A. Offers that do not comply with this requirement shall not be considered and shall be automatically disqualified. This bid bond shall be returned to the proponents once the winning proponent has been selected, except to the proponent that won the bid. To the winning proponent the bid bond shall be returned once the contract has been executed and the Payment and Performance Bond has been presented to the PRDT, by the selected or winning proponent, for a quantity equivalent to one hundred percent (100%) of the total amount of the selected offer. Annual Bid Bonds shall not be accepted.

2. PERFORMANCE AND PAYMENT BOND:

The winning proponent shall present this bond as a guarantee to the PRDT that it shall comply with all the terms and conditions of the contract resulting from this Request for Proposal. This performance and payment bond shall be issued by an Insurance Company dully authorized by the Office of the Commissioner of Insurance of Puerto Rico and have a classification by A.M. Best Company of not less than A and shall be for a quantity equivalent to one hundred percent (100%) of the total amount of the selected or winning offer. This Payment and Performance Bond shall be presented to the PRDT in original and shall be issued in the name of the Secretary of the PRDT. The PRDT shall execute this Performance and Payment Bond if there is any breach of the before mentioned contract.

D. Detailed Response Requirements

1. EXECUTIVE SUMMARY

This section will present a high-level synopsis of the vendor's responses to the RFP. The Executive Summary should be a brief overview of the engagement, and should identify the main features and benefits of the proposed work. The Executive Summary should include the following (at a minimum):

- a. An overview of the vendor's proposed solution, including how it addresses the development of the processes and systems outlined the "Envisioned Solution" section of this RFP document.
- b. A brief description of the vendor's ability to meet or exceed the anticipated requirements of its proposed solution.
- c. An overview of the vendor's approach to implement the solution and address outstanding issues related to the solution.

2. CORPORATE PROFILE

Vendors must provide the following information about their company so that the PRDT can evaluate the vendor's stability and ability to support the commitments sent forth in response to the RFP. The PRDT, at its option, may require a vendor to provide additional documentation to support and/or clarify requested information. The vendor must outline the company's background, including:

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- a. A brief description of the company.
- b. Length of time the company has been in business.
- c. Company size and organization (with organizational chart).
- d. Financial information, including a 10-K or financial statements for the last two years.
 - i) Required financial information consists of complete audited financial statements prepared by a Certified Public Accountant in accordance with general accepted accounting principles, including a balance sheet and statement of profit and loss as of a date not earlier than December 31, 2008, which reflects the company's financial condition.
- e. A detailed description of the company's competitive position in the transaction processing and POS terminal provider industries and key business metrics relative to its peers. Vendor should highlight any specific competitive advantages of its offering and include a description of its strategic direction.
- f. A detailed description of all of the products and services provided by your company and the company's business strategy. Vendor should describe any planned operational, disaster recovery, platform, systems, and/or architecture changes and any required or potential future conversions the PRDT may incur over the term or subsequent terms of the agreement.
- g. A detailed description of the vendor's ability to meet or exceed the requirements as listed in the "Anticipated Requirements for Program Manager" section of this RFP.
- h. (If applicable) Examples of any prior experience that the company has with implementing an SUT solution of this magnitude.
- i. (If applicable) Any experience that the vendor has with government contacts.
- j. Other information intended to demonstrate the vendor's ability to execute on its proposal including experience with the proposed services/products.
- k. If subcontractors will be used for this project, the vendor must submit each subcontractor's qualifications and experience in designing, installing and operating/maintaining their participation in the proposed solution. In addition, the vendor shall describe its work history with the subcontractor.

3. SCOPE, APPROACH, AND METHODOLOGY

This section should include a description of each major type of work being requested of the vendor, including detailed testing procedures and technical expertise by phase. All information that is provided will be held in strict confidence. The proposal should reflect, at a minimum, each of the sections listed below:

- a. Daily SUT settlement and payment
- b. SUT data capture and exchange offerings, capabilities, and prices
- c. Sales and SUT tracking devices and reporting. This section should include a description of the functionality and use scenarios
- d. IVU lottery management, features and pricing
- e. POS terminal solution. This section should include the vendor's approach to updating/replacing point-of-sale terminals of card accepting merchants and to providing new terminals to cash-only merchants to support SUT collection efforts. This section should also include pricing to develop and manage these terminals going forward.
- f. Unified Web Portal and reporting capabilities

The vendor shall provide a detailed work plan and detailed schedule for completing all of the tasks outlined in its proposed solution. The details shall include start dates for specific systems/processes, completion dates, work times, projection management, and any other information pertinent to the project.

The PRDT anticipates that an initial compliance solution will be rolled out to some or all merchants within **90** days of contract award. The vendor shall confirm whether or not this timeframe can/will be met.

4. PROJECT DELIVERABLES

The vendor will include descriptions of the types of reports used to summarize and provide detailed information on the capture, storage, exchange and audit of SUT collections and payments data. The vendor must also include sample reports as attachments to the proposal to provide an example of the types of reports that will be provided for this engagement.

5. PROJECT MANAGEMENT APPROACH

The vendor will include the method and approach used to manage the overall project and client correspondence and briefly describe how the engagement proceeds from beginning to end.

Additionally, the vendor must describe how it will interact with the PRDT, merchants, acquirers/processors, and other entities impacted by its proposed solution. This description should also include how the vendor intends to address the issues as listed in the "Outstanding Issues to Envisioned Solution" section of this RFP, as well as any other issues that its foresees as a result of implementing its proposed solution.

6. SYSTEMS CONFIGURATION AND INNOVATION

The vendor will provide a description of the processes and systems that must be developed to implement the proposed solution and how it shall be installed. Drawings and/or illustrative charts shall be included to help clarify the description.

The response to this RFP shall contain sufficient detail for the evaluators to understand the plan to be used by the vendor in designing and building the systems. As much design detail as possible is requested to be included in the proposal.

The vendor will provide a description of the major technology components to be applied. As much detail as possible should be supplied to describe the technology components that are to be used.

The vendor will describe any innovations or design features that offer advantages to the PRDT in the proposed systems.

7. DETAILED AND ITEMIZED PRICING

The PRDT expects to receive attractive pricing commensurate with size and potential growth of SUT collections and payments. Respondents should offer attractive pricing across all areas of pricing at the highest level of detail, and clearly highlight potential discounts, developmental assistance, and productivity savings. The proposed fee shall provide a cost breakdown of said fees, including a breakdown by project phase if applicable.

The PRDT is seeking a minimum four (4) year relationship. As such, all proposed pricing should be consistent with the term of the agreement. Vendors are required to provide a detailed listing (by attaching the information in the Appendix) of all pricing, including, one-time, optional, pass-through, and miscellaneous fees and related billing item volumes for each pricing element, if applicable. In addition, vendors are to describe in detail volume-based or growth-based pricing tiers.

It is the responsibility of the vendor to clearly identify all costs associated with any item or series of items in this RFP. Omissions, errors, misrepresentations, or inadequate details in the vendor's cost proposal may be grounds for rejection of the vendor's proposal. Costs that are not clearly identified will be borne by the vendor.

8. APPENDIX: DETAILED PRICING

The vendor will provide a detailed listing of all pricing, including, one-time, optional, pass-through, and miscellaneous fees and related billing item volumes for each pricing element, if applicable.

9. APPENDIX: REFERENCES

The vendor will provide three current corporate references for which it has performed similar work.

10. APPENDIX: PROJECT TEAM STAFFING

The vendor will include biographies and relevant experience of key staff and management personnel. The vendor must also describe the qualifications and relevant experience of the types of staff that would be assigned to this project by providing biographies for those staff members. Additionally, the vendor must describe bonding process and coverage levels of employees and affirm that no employees working on the engagement have ever been convicted of a felony.

11. APPENDIX: COMPANY OVERVIEW

The vendor will provide the following for its company:

1. Official registered name (Corporate, D.B.A., Partnership, etc.), Dun & Bradstreet Number, Primary and secondary SIC numbers, address, main telephone number, toll-free numbers, and facsimile numbers.
2. Key contact name, title, address (if different from above address), direct telephone and fax numbers.
3. Person authorized to contractually bind the organization for any proposal against this RFP.
4. Brief history, including year established and number of years your company has been offering Information Technology solutions.

Section VI: Evaluation Factors for Award

A. Proposal Evaluation Criteria

Any award to be made pursuant to this RFP will be based upon the proposal with appropriate consideration given to operational, technical, cost, and management requirements. Evaluation of offers will be based upon the Vendor's responsiveness to the RFP and the total price quoted for all items covered by the RFP.

The following elements will be the primary considerations in evaluating all submitted proposals and in the selection of a Vendor or Vendors:

1. Completion of all required responses in the correct format and in a timely manner.
2. The extent to which the vendor's proposed solution address the PRDT's stated objectives as set out in this RFP.
3. The extent to which vendor's proposed solution fulfills PRDT's minimum stated requirements as set out in this RFP.
4. An assessment of the Vendor's ability to deliver the indicated service in accordance with the minimum specifications set out in this RFP.
5. The Vendor's stability, experiences, and record of past performance in delivering such services.
6. Availability of sufficient high quality vendor personnel with the required skills and experience for the specific approach proposed.
7. Overall cost of Vendor's proposal.
8. Performance Capability: the extent to which the vendor demonstrates the ability to provide the depth and breadth of experience, skills, and knowledge generally required by this work. This will include a review of professional references.

PRDT may, at their discretion and without explanation to the prospective Vendors, at any time choose to discontinue this RFP without obligation to such prospective Vendors.

B. Interviews

The PRDT reserves the right to conduct interviews with all or some of the vendors at any point during the evaluation process. However, the PRDT may determine that interviews are not necessary. In the event interviews are conducted, information provided during the interview process shall be taken into consideration when evaluating the stated criteria.

C. Additional Investigations

The PRDT reserves the right to make such additional investigations as it deems necessary to establish the competence and financial stability of any firm submitting a proposal.

D. Prior Experience

Experiences with the PRDT and entities which evaluation committee members represent shall be taken into consideration when evaluating qualifications and experience.

Section VII: Legal

1. LAWS AND REGULATIONS

This Request for Proposals is issued in accordance with the applicable Laws of the Commonwealth of Puerto Rico, including applicable regulations, specially Regulation 6514 (Reglamento de Adquisición de Bienes, Servicios No Profesionales y Subastas Públicas) of August 30, 2002, as amended, and the compliance of the proponents with these laws and regulations is obligatory in all its extensions.

2. “REGISTRO UNICO DE LICITADORES”

All participants must be registered in the “Registro Unico de Licitadores” Bidders Registry of the GSA (Administración de Servicios Generales) and must be authorized by the Commonwealth’s Department of State to do business in Puerto Rico.

3. PROPONENT’S CERTIFICATION

By submitting this proposal the proponent acknowledges and accepts that all the clauses included in this Section VII (LEGAL) of this Request for Proposals shall be an integral part of the contract (agreement) for services as drafted and are not subject to any amendments.

4. INVOICES

All invoices and documents that may support the requests for payment and/or reimbursement submitted to the PRDT by CONTRACTOR shall be submitted in duplicate, certified and signed by authorized officials of CONTRACTOR in accordance with the rules and regulations of the PRDT. CONTRACTOR shall include with each invoice submitted to the PRDT a relation of the work carried out or performed during the corresponding timeframe for which the CONTRACTOR is requesting compensation, a detailed description of the nature and extent of services performed, the progress of the work, the work pending conclusion, the amounts of money by concept of expenses incurred for which the CONTRACTOR is requesting compensation, and a relation of the remaining funds considering the Maximum Amount agreed in this Agreement. Should the Services rendered under this Agreement achieve the Adjusted Maximum Amount agreed, CONTRACTOR must notify of such fact to the PRDT in writing and must obtain prior written authorization from the PRDT before continuing rendering its services. CONTRACTOR acknowledges that once the Services rendered under this Agreement achieve the Adjusted Maximum Amount agreed, PRDT shall not pay for services rendered, unless previously authorized in writing, as before mentioned, by the PRDT.

The PRDT shall make payment to CONTRACTOR, previous invoices accompanied by supporting documents, within thirty (30) days after the approval of the invoice by the Secretary of the PRDT or his authorized representative. Invoices shall be submitted to the PRDT no later than the first (10) days of the month following the period invoiced.

If the funds herein provided under this Agreement are in any way limited or cancelled for reasons out of the PRDT’s control, the parties acknowledge that this Agreement shall be terminated effective the day in which the PRDT notifies CONTRACTOR in writing that such funds were adjusted or cancelled. In such case, the PRDT, subject to the terms and conditions of this

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Agreement, shall compensate CONTRACTOR for professional services provided to the PRDT until the day in which such funds were limited or cancelled. Should these funds be reduced in quantity, the parties shall have the option to negotiate a new agreement in writing subject to the corresponding administrative orders and that availability of funds.

All invoices to be submitted by CONTRACTOR shall include the following certification:

"Subject to penalty if otherwise, I certify that no employee of the PRDT is part or has any interest in the income or benefits derived from this Agreement object of this invoice and, if there is any income or benefit acquired from this Agreement, I have obtained the corresponding exemption ("dispensa"). The sole consideration obtained in return of the professional services rendered under this Agreement is the payment agreed with the authorized representative of the PRDT. The amount invoiced herein is just and correct. The professional services have been rendered and have not been paid.

The PRDT shall not pay for invoices that do not contain the above certification.

5. TRAVEL AND OTHER EXPENSES

Subject to the PRDT's approval, the PRDT will reimburse the CONTRACTOR for expenses and other disbursements directly related to services rendered under this Contract and not considered part of the usual overhead of a professional office, for items such as travel and the lodging, long distance telephone calls, telecopier and other telecommunication charges, filing fees, taxi fares, printing, delivery expenses, including services such as Federal Express, and other courier and messenger charges.

All payments hereunder shall be for actual expenses incurred and shall be billed at cost.

The PRDT will not reimburse the CONTRACTOR for travel and lodging costs related to the services rendered under this Contract unless the trip has been authorized in writing and in advance by the Secretary of the PRDT or his (her) authorized representative and subject to the Travel Expense Regulations of the PRDT. Reimbursement for air travel expenses is restricted to the lowest available economy class or coach fares, including restricted fares. If these special fares are not available or if there are reasonable unforeseen circumstances that prevent compliance with these specifications, the PRDT will make all travel arrangements. The CONTRACTOR must notify the PRDT immediately, at the PRDT's Communications Office, Internal Revenue Area, (787) 722-0960 / (787) 723-2989 for airline travel and hotel reservations. In the event a scheduled trip has to be cancelled, the PRDT will assume the cost of the penalty fee. If traveling is required, only one representative of the CONTRACTOR shall be authorized to travel, unless otherwise authorized in writing by the PRDT.

The PRDT shall not pay for traveling time, except for work related to the services being provided under this Contract. Payment for traveling time shall be made only if the invoice details the services rendered and the hours spent on each matter, as required in this Contract.

6. CONFLICTS OF INTEREST

CONTRACTOR recognizes that in executing its professional services pursuant to this Agreement it has a professional duty towards the PRDT, including having no adverse to or conflicting interests with the PRDT. This duty includes the obligation during the term of this

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Agreement to disclose to PRDT the circumstances of its relations with clients and third persons that may constitute conflicts of interest materially adverse to PRDT when executing the Agreement or while it is in effect.

CONTRACTOR acknowledges that conflicting interests may exist when, on behalf of a client, CONTRACTOR must support a position that is contrary to a position it takes on behalf of another client. Also, it represents conflicting interests when its conduct is described as such in the standards of ethics applicable to its profession, or in Puerto Rico's laws and regulations.

CONTRACTOR shall avoid even the appearance of the existence of a conflict of interest.

The CONTRACTOR acknowledges the power of the Secretary of the PRDT to oversee the enforcement of the prohibitions herein established. If the Secretary of the PRDT determines the existence or the emergence of adverse interests with the CONTRACTOR, he (she) shall inform such findings in writing and his (her) intentions to terminate the Contract within a thirty (30) day term. Within such term, the CONTRACTOR can request a meeting with the Secretary of the PRDT, or his (her) authorized representative, to present its arguments regarding the alleged conflict of interest. This meeting shall be granted in every case. If such meeting is not requested within the specified term, or if the controversy is not settled satisfactorily during the meeting, this Contract shall be rescinded at the end of said thirty (30) day period.

7. REPRESENTATIONS

CONTRACTOR certifies and warrants that:

- A. Itself, its directors, officers, shareholders or employees are not under any investigation or civil or criminal process because of any crime against public treasury, testimony and public function or that involves funds or public property. CONTRACTOR has the obligation to inform the PRDT` during all the phases previous to the execution of this Agreement and after, with respect to any investigation or civil or criminal process that it may be subject to because of any crime against public treasury, testimony and public function or that involves funds or public property. In case that CONTRACTOR, its directors, shareholders, officers or employees are guilty of any crime against public treasury, testimony and public function or that involves funds or public property in any jurisdiction, this Agreement shall be terminated immediately and the CONTRACTOR will have to reimburse the PRDT any amount of money received under this Contract.
- B. CONTRACTOR has no particular interests in any case or matter of any type, which may create a conflict of interest or public policy while rendering its services under this Agreement and that it will not enter into any agreement that may cause a conflict of interest or of public policy with the PRDT. Moreover, neither CONTRACTOR nor any of its directors, officers, shareholders or employees receive pay or compensation for regular employment services provided for another government entity.
- C. At present, CONTRACTOR has a contract with (contractor shall insert here a list of all its contracts with the Government of Puerto Rico; agencies, public corporations, municipalities and/or instrumentalities of the Commonwealth of Puerto Rico), which do not have and shall not have conflict of interests with this Agreement. Should the CONTRACTOR contract with another government instrumentality of the Commonwealth of Puerto Rico during the terms of this Agreement, it shall notify

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the PRDT in writing, not later than the day of the execution of said contract, and the same should not constitute a conflict with this Agreement.

- D. CONTRACTOR certifies to the best of his knowledge that no officer or employee of the PRDT or any of their family members as defined in the Commonwealth of Puerto Rico Government Ethics Act, has or has had during the four (4) years previous to their employment, directly or indirectly, any pecuniary interest in this Agreement; and that no officer or employee of the Commonwealth of Puerto Rico is part or has an interest in the gains or benefits arising out of this Agreement.
- E. No officer or employee of CONTRACTOR or any of their family members has served as an official or employee of the Commonwealth of Puerto Rico with regards to the services rendered under this Agreement, within the two (2) years prior to the execution of this Agreement.
- F. The CONTRACTOR certifies that none of its officers or employees receives salary or any kind of compensation for the delivery of regular services by appointment in any agency, instrumentality, public corporation or municipality of the Commonwealth government.
- G. CONTRACTOR certifies that at the date of execution of this Agreement, it and its partners, if applicable, has rendered income tax returns and personal property tax returns during each of the five taxable years prior to the execution of this Agreement (the "Five Year Period") and, that neither it nor its partners owe any income taxes or real or property taxes to the Commonwealth of Puerto Rico. CONTRACTOR also certifies that neither it, nor its partners, owe any unemployment and disability tax, workmen's compensation or chauffeurs social security in Puerto Rico; (if applicable) that neither it nor its partners have any outstanding debt with the Administration for Child Support Enforcement (known by its Spanish acronym ASUME). CONTRACTOR also certifies that it is registered in PRDT's Merchants Registry. If CONTRACTOR or any of its partners have any tax indebtedness with the Commonwealth of Puerto Rico, CONTRACTOR certifies that the same is subject to a payment plan approved by the corresponding governmental agency and that CONTRACTOR or its partners, as the case may be, is current under the terms of the payment plan. It is expressly acknowledged that the representations provided by CONTRACTOR in this Section are essential conditions of this Agreement, and if these representations are incorrect, PRDT shall have just cause for its immediate termination, and CONTRACTOR will have to reimburse PRDT any sums of money received under this Agreement.
- H. The professional sub-consultants used by CONTRACTOR to comply with its obligations under this Agreement, will necessarily need to comply with the above-referenced clause. CONTRACTOR will be responsible from requiring any professionals, subcontractors to submit the corresponding documentation and certify the information detailed above and notify the PRDT of such. The Commonwealth of Puerto Rico defines a Subconsultant as technical or professional personnel, (not considered employees of the subscribing party), who dedicates twenty five percent (25%) or more of their time to perform any of the obligations under this Agreement.

The PRDT certifies and warrants that:

A (i). None of its officials or employees with the capacity of approving or authorizing agreements, have or have had during the four (4) years previous to their employment, directly or indirectly, any pecuniary interest in this Agreement.

Both parties' obligations:

A (ii). Both parties hereby declare that no public officer or employee of the Commonwealth Government, its agencies, instrumentalities, public corporations or municipalities or employee of the Legislative or Judicial branches of the government has any direct or indirect interest in the present Contract.

B (ii). Neither party shall, during the term of this Agreement and for two (2) years after its termination, solicit for hire as an employee, consultant or otherwise any of the other party's personnel who have had direct involvement with the Services.

8. CERTAIN CERTIFICATION REQUIREMENTS

Prior to the execution of this Agreement, CONTRACTOR shall present to PRDT the corresponding certifications issued by the Department of the Treasury, the Department of Labor and Human Resources and the Municipal Tax Collection Center (known by its Spanish acronym, CRIM) and, if applicable, the Administration for Child Support Enforcement (known by its Spanish acronym ASUME). CONTRACTOR shall be responsible for providing PRDT with the certifications required under this Clause of partners who are residents of Puerto Rico, and of any professional or technical consultant subcontracted by Contractor and authorized by PRDT.

9. RESPONSIBILITY FOR INCOME TAXES AND WITHHOLDINGS

The execution of this Agreement shall not generate any rights for CONTRACTOR, its employees, partners, agents, successors or assignees to which the officers or employees of the PRDT or of the Commonwealth of Puerto Rico or of any agency, instrumentality or municipality thereof may be entitled pursuant to law or regulation including, but not limited to, vacation and sick-leave, workers' compensation, or any other such benefits.

CONTRACTOR is an independent CONTRACTOR and as such shall be responsible for the payment of all income taxes and individual and employers' withholdings under the applicable tax laws of Puerto Rico or the U.S. Internal Revenue Code. No withholding or deductions shall be made from payments to CONTRACTOR for services rendered except those applicable in accordance with the Puerto Rico Internal Revenue Code and its regulations.

If the CONTRACTOR is a foreign corporation the PRDT shall deduct and withhold twenty-nine percent (29%) of the gross amounts paid for these services, when any of these amounts constitutes gross income from sources within Puerto Rico, in accordance with Section 1150 of the Puerto Rico Internal Revenue Code, 13 L.P.R.A Section 8550(a).

10. ASSIGNMENT

Any duties hereunder, or interest herein may not be assigned or delegated by CONTRACTOR without the prior written approval of the PRDT.

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11. GOVERNMENT ETHICS ACT

CONTRACTOR hereby certifies that according to the requirements of the Director of the Office of Government Ethics on letter number 2002-05 of January 28, 2002, it received from the PRDT a copy of the Ethics in Government Act of the Commonwealth of Puerto Rico, copy of which is made part hereof by reference. Moreover, CONTRACTOR certifies that it has duly signed an executed the Certification required by the Office of Government Ethics.

12. CODE OF ETHICS

Contractor agrees to comply in all material respects with the applicable provisions of Act No. 84, enacted on June 18, 2002, which established a Code of Ethics for Contractors, Suppliers and Applicants for Economic Incentives of the Executive Agencies of the Commonwealth of Puerto Rico.

13. CONFIDENTIALITY

During the term of this Agreement and thereafter, CONTRACTOR and its employees, subcontractors, agents or representatives, shall respect the confidentiality of all confidential data and information disclosed and entrusted to it by the PRDT. The CONTRACTOR acknowledges the proprietary and confidential nature of all internal, non-public, information systems, financial, and business information relating to the PRDT, its subsidiary corporations and affiliates as well as to the Government of Puerto Rico, its agencies, corporations or municipalities, now or hereafter provided to the CONTRACTOR.

The CONTRACTOR shall keep in strict confidence all such information and shall not make public or disclose any of said materials without the previous written consent of the PRDT, provided such information is not previously known to CONTRACTOR, is not within the public domain, or is not furnished to the CONTRACTOR by a third party who is under no obligation to keep the information confidential.

The CONTRACTOR's failure to comply with its duties and responsibilities and to perform the services as set forth herein, or its negligence or unlawful behavior, shall constitute a breach of the Contract by the CONTRACTOR that shall entitle the PRDT to terminate this Contract forthwith and that shall, without limitations to any other rights, release and discharge the PRDT from any further obligations and liabilities hereunder, and without having to comply with the notice requirements below mentioned in this Contract (Clause 23).

At the conclusion of the term of this Agreement, or upon termination thereof, CONTRACTOR shall return to the PRDT all such confidential matters in its possession belonging to the PRDT, and further agrees not to use any such confidential information, except that CONTRACTOR shall be permitted to retain a copy of such information in its work papers in accordance with CONTRACTOR internal requirements and applicable professional standards. The obligation to maintain the confidential information in secret survives the termination of this Agreement.

14. REGISTRATION OF THE CONTRACT AT THE OFFICE OF THE COMPTROLLER OF PUERTO RICO

Within fifteen (15) days of the execution of the Agreement, said Agreement or contract shall be registered in the Contract's Registry of the Office of the Comptroller of Puerto Rico. The CONTRACTOR will not receive any payment for the services rendered under the terms of this

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Agreement or Contract until it has been registered at the Office of the Comptroller of Puerto Rico as established under Puerto Rico Law.

15. COMPLIANCE WITH FEDERAL AND COMMONWEALTH LAW

A. Adherence to Laws:

The CONTRACTOR and its subcontractors (whether or not Sub-Contractors) shall at all times during the term of this Contract and any renewals and extensions hereof, adhere strictly to all applicable Federal Laws and Puerto Rico Laws, as in effect from time to time, including but not limited to:

- | | |
|--|-----------------------------------|
| 1. Age Discrimination Act of 1975 | 42 U.S.C Sections 6101 et seq. |
| 2. Age Discrimination in Employment | 29 U.S. C. 621-634 Act of 1967 |
| 3. American with Disabilities Act (ADA) | 42 U. S. C. 12101 et seq. of 1990 |
| 4. Equal Pay Act of 1963 | 29 U.S. C. 206 (d) |
| 5. Immigration Reform and Control | 8 U.S.C. 1324b Act of 1986 |
| 6. Section 504 of the Rehabilitation Act of 1973 | 29 U.S.C. 794 |
| 7. Title VI of the Civil Rights Act of 1964 | 42 U.S.C. 2000d |
| 8. Title VII of the Civil Rights Act of 1964 | 42 U.S.C. 2000e |
| 9. Title IX of the Education Amendments | 20 U.S.C. 1681 et seq of 1972 |

B. Non-Discrimination:

The CONTRACTOR and its subcontractors (whether or not Sub-Contractors) shall not discriminate against any person on the basis of race, color, national origin, age, gender, religion and physical or mental disabilities including Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related conditions, in the performance of services in this Contract, and all relevant sections of the following provisions and including those applicable from Section A above:

1. Executive Order 11246, as amended by Executive Order 11375
2. Department of Labor Regulations (41 CFR Part 60)
3. Section 503 of the Rehabilitation Act of 1973, as amended; and
4. Section 402 of the Vietnam Era Veterans Readjustment Assistance Act of 1974.

The CONTRACTOR and its subcontractors (whether or not Sub-Contractors) also shall comply with all amendments to these acts and pertinent Federal and Commonwealth Laws and regulations during the term of this Contract.

CONTRACTOR certifies that it has in place a written sexual harassment policy and that (i) its employees are informed of this policy; and (ii) the policy contains a notice that sexual harassment will not be tolerated and employees who practice it will be disciplined. CONTRACTOR agrees to include a similar provision in every subcontract so that such provision will be binding upon each subcontractor (whether or not a Sub-Contractor).

C. Drug-Free Workplace:

The CONTRACTOR and its subcontractors (whether or not Sub-Contractors) certify that they shall provide a drug-free workplace in accordance with the Drug-Free Workplace Act of 1988 and implemented at 45 CFR Part 76, subpart F for grantees, as

defined at 45 CFR Part 76, Sections 76.605 and 76.610 and the Commonwealth Law to Regulate Drug Testing in the Private Sector, Law No. 59 of August 8, 1997.

D. Clean Air and Water Acts:

Because this Contract exceeds one hundred thousand dollars (\$100,000) the CONTRACTOR and its subcontractors (whether or not Sub-Contractors) must comply with all applicable standards, orders or requirements issued under Section 306 of the Clean Air Act [42 U.S.C. 1857 (h)], Section 508 of the Clean Water Act [33 U.S.C. 1368], Executive Order 11738, and Environmental Protection Agency Regulations [40 CFR Part 15]. All violations are to be reported to the Federal Grantor Agency and to the Assistant Administrator for Enforcement [#N-329] of the U.S. Environmental Protection Agency. No portion of the work required by this Contract will be performed in a facility listed on the Environmental Protection Agency's list of violating facilities. CONTRACTOR will include a provision to this effect in any subcontract subscribed to in connection with this Contract.

E. Lobbying Certification:

The CONTRACTOR certifies that none of the funds provided pursuant to this Contract have been paid or will be paid by or on behalf of the CONTRACTOR to any person for influencing or attempting to influence an officer or employee of any government agency, a member, officer or employee of Congress or the Commonwealth Legislature in connection with the awarding, continuation, renewal, amendment or modification of any contract, grant, loan or cooperative contract.

If any funds, other than funds provided by this Contract, have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any government agency, an officer, member or employee of Congress or the Commonwealth Legislature in connection with this Contract, the CONTRACTOR shall complete and submit Standard Form LLL, "Disclosure Form To Report Lobbying" in accordance with its instructions, and copy of standard Form LLL to the contracting agency.

The CONTRACTOR shall require that the language of this certification be included in any subcontract (including those with Sub-Contractors), and that recipients at all tiers including grants, sub-grants, loans and cooperative contracts entered into as a result of this Contract, shall certify and make the corresponding disclosure. The CONTRACTOR understands that a false statement of this certification may be grounds for rejection or termination of this Contract, and that its signature is a material representation of fact upon which reliance was placed when this Contract was executed. Also, under section 1352, Title 31, U.S Code, a false statement shall be subject to a civil penalty of not less than ten thousand dollars (\$10,000) and not more than one hundred thousand dollars (\$100,000) for each such false statement.

F. Debarment, Suspension and Responsibility:

As required by Puerto Rico Law and Federal Law, the CONTRACTOR certifies that neither it nor its principals are presently debarred, suspended proposal for debarment, declared ineligible or voluntarily excluded from covered transaction by any federal department or agency;

Within a three-year period preceding this Contract, neither the CONTRACTOR nor its principals have been convicted or had a civil-judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain or performing a public (federal or Commonwealth) transaction or contract under a public transaction, violating any Federal Law or Puerto Rico Law; or committing embezzlement, theft, forgery, bribery or destruction of records, falsification or destruction of records, making false statements, or receiving stolen property;

Neither the CONTRACTOR nor its principals are presently indicted or otherwise criminally or civilly charged by a government entity for commission of fraud or a criminal offense in connection with obtaining attempting to obtain, or performing a public (federal or Commonwealth) transaction or contract, violating any Federal Law or Puerto Rico Law or committing, embezzlement or receiving stolen property; and

Within a three-year period preceding this Contract, neither the CONTRACTOR nor its principals have had one or more public transaction or contracts (federal or Commonwealth) terminated for cause or default.

Failure to so certify or subsequent actions resulting in violations of this certification shall constitute grounds for termination of this Contract by the PRDT.

16. LAWSUIT CERTIFICATION

The CONTRACTOR hereby certifies that at the time of the execution of this Contract it is not engaged in or is a party to a lawsuit against the Government of the Commonwealth of Puerto Rico, its instrumentalities or agencies.

17. ULTRA VIRES ACTS

The CONTRACTOR and the PRDT acknowledge that no services will be rendered under this Contract until its execution. No services will be rendered after the expiration of this Contract unless it is extended or renewed by the parties. Following termination, the CONTRACTOR will have no further right to compensation except for what has been accrued for services rendered under this Contract until said date.

18. NO WAIVER

Any failure by the PRDT to assert its rights for or upon any default of this Agreement shall not be deemed a waiver of such rights, nor shall any waiver be implied from the making of any payment hereunder. The PRDT's review, approval, acceptance or payment for services under this Agreement shall not operate as a waiver of any rights under this Agreement and CONTRACTOR shall be and remain liable to the PRDT for all damages and costs incurred by the PRDT as a result of CONTRACTOR'S failure to perform in conformance with the terms and conditions of this Agreement. The rights and remedies of the PRDT provided for under this Agreement are in addition to any other rights or remedies provided by law. The PRDT may assert a right to recover damages by any appropriate means, including but not limited to set-off, suit, withholding, recoupment, or counterclaim, either during or after performance of this Agreement.

19. MOST FAVORED CLIENT STATUS

In the event that the CONTRACTOR offers any other government entity more favorable terms than those provided to the PRDT for services or products comparable or similar to those within the scope of this Contract, the CONTRACTOR agrees to extend such terms to the PRDT.

20. REPORTS REQUIRED BY PRDT

The CONTRACTOR shall submit in writing any reports required by the PRDT regarding the functions performed under this Contract. If required by the PRDT, at the completion of the assigned tasks, the CONTRACTOR shall submit a final written report regarding the work it has performed.

21. CONSTRUCTION

This Agreement or Contract constitutes the entire, full and complete agreement between the parties concerning the subject matter hereof and shall supersede all prior agreements related to the clauses contained herein. There are no valid or binding representations, inducements, promises or agreements, oral or otherwise, between the parties that are not embodied herein. No amendment, change, or variance of or from this Agreement shall be binding on either party unless agreed to in writing signed by both of the parties.

The headings appearing at the beginning of each paragraph of this Agreement are for convenience of reference only and do not define, limit or construe the contents of any such paragraph. Whether expressly indicated or not, the singular usage includes the plural, and the neuter usage includes the masculine or the feminine or both the masculine and the feminine. This Agreement may be executed in counterparts, each of which so executed shall be deemed to be an original and such counterparts together shall constitute one and the same Agreement.

Nothing contained in this Agreement is intended or shall be constructed in any manner or under any circumstances whatsoever as creating or establishing a partnership or joint venture between CONTRACTOR and the PRDT, or as constituting any party as the agent or representative of the other party.

Any inquiries or questions to CONTRACTOR on behalf of third parties or the press regarding the Project described in this RFP shall be immediately referred to Secretary of the Puerto Rico Treasury Department or his (her) designee.

22. SEVERABILITY

If any provision of this Agreement shall to any extent be held invalid or unenforceable, the remainder of this Agreement shall not be deemed affected thereby.

23. TERMINATION OF THE CONTRACT

Either party shall have the right to terminate this Contract by providing the other party thirty (30) days notice by registered mail, return receipt requested, or overnight express mail. If notice is given, this Contract shall terminate upon the expiration of thirty (30) days and the PRDT shall be obligated to pay all fees and expenses incurred up to the month of effective termination, in accordance with the terms of this Contract.

Department of Treasury

Internal Revenue Area

24. GOVERNING LAW

CONTRACTOR hereby acknowledges and agrees that all disputes arising out of, or relating to, this Agreement and all actions to enforce this Agreement shall be governed by and construed under the laws of the Commonwealth of Puerto Rico, and CONTRACTOR hereby irrevocably submits to the jurisdiction of the courts of the Commonwealth of Puerto Rico in any suit, action or proceeding arising out of or relating to this Agreement, or in any action to enforce this Agreement.

25. NOTICES

Any notices, written communication, claim or demand which must be made or mailed by the parties pursuant to this Agreement must be sent by certified or registered mail, with return receipt requested, to the following address:

PRDT: Intendente Ramírez Building
Paseo Covadonga # 10
Floor 6, Office 620
San Juan, P.R. 00902

CONTACT: Pablo Hymovitz Cardona

26. COMPLIANCE WITH LEGAL CLAUSES

The CONTRACTOR certifies that all the clauses included in this Section VII (this one included) have been examined by the CONTRACTOR's legal advisors and that these clauses shall not be a part of any subsequent contract negotiations. The CONTRACTOR further acknowledges that the failure to abide by the representations and certifications herein is just cause for disqualification from this process.