

**SCHEDULE A**  
**MODIFIED SCOPE OF SERVICES**  
**MERCHANT CARD PROCESSING SERVICES**  
**STATE OF NORTH CAROLINA AND SUNTRUST MERCHANT SERVICES**  
**Contract Number 14-06002**

**The terms “Servicers” and “Vendor” shall be used interchangeably herein.**

- A.** The vendor affirms that it has over thirty (30) years experience processing merchant card transactions through major credit/debit card processing networks.
- B.** The vendor affirms that it has performed work for a comparable public sector client which is similar in nature to that requested by the State in the Request for Proposals (RFP) dated December 5, 2005.
- C.** The vendor affirms that it can provide funds settlement with one of the official depositories located in North Carolina and designated by the State Treasurer pursuant to G.S. §147-78, and in accordance with the requirements specified in Paragraph I below.
- D.** The Vendor shall perform services specified herein as contracted by the STATE.
  - a. The services shall be provided to any requesting State agency or local unit of government authorized and designated as eligible participants by the OSC.
  - b. The services shall only be provided to participants, under the terms of this Agreement, if participants have agreed to, and agree to be bound by the terms and conditions set forth herein. Each participant, prior to delivery of these services, shall execute a separate Agency Participation Agreement (APA). Parties to the APA will be the Vendor, OSC, and the participant. DST will be a party in the case of a State agency participant. The APA is annexed to the request for BAFO as Exhibit G.
  - c. All services provided shall be in accordance with and governed by applicable statutes and regulations, including the National Automated Clearing House Association (NACHA) Operating Rules and the Federal Reserve Bank Regulation E.
  - d. All services provided shall be subject to all applicable Card Association Rules (e.g., Visa and MasterCard) in accordance with all applicable laws.
  - e. All services shall be subject to the Vendor’s Operating Guide in accordance with all applicable laws.
- E. Provide Structure for Multiple Participants**
  - a. Vendor shall provide accounting, reporting, identification, etc., to accommodate various categories of participants, and to accommodate rollup of data to the various hierarchy levels.
  - b. The following hierarchy shall be accommodated, with the capability of adding additional divisions in the future if needed:
    - i.** State – Reflected in reporting as Agent Head Office
    - ii.** Participant Categories: General Government; Universities; Community Colleges; Local Governmental Units – Reflected in reporting as Corporate Divisions
    - iii.** Participants – Reflected in reporting as Chains
    - iv.** Merchant Numbers – Reflected in reporting as/ Outlets
    - v.** Terminal IDs
- F. Provide Merchant Processing services for Multiple Brands and Types of Cards**
  - a. Vendor shall provide merchant processing services for multiple brands and types of cards, including: 1) bank credit cards; 2) debit cards (PIN and PIN-less); and 3) proprietary cards. Specific requirements may vary for individual participants; each participant must meet applicable requirements.
  - b. Cards processed through the MSA include: Visa and MasterCard credit and debit cards.

- c. Proprietary cards processed through the MSA may be American Express and Discover, but under arrangements where each participant has its own agreement with the issuing card company, where the participants participate under a master agreement provided by the STATE.

**G. Accommodate Various Capture Methods**

Vendor shall support, at a minimum, the following capture methods:

- a. Point of Sale (swipe) terminals
- b. Mobile Point of Sale Units (wireless)
- c. Electronic cash registers
- d. Electronic capture software systems
- e. Internet capture systems
- f. Interactive Voice Response (IVR) systems
- g. Transactions submitted via the State’s Gateway (Common Payment Service)
- h. Transaction submitted via participants’ third-party gateways

**H. Perform Necessary Transaction Processing**

- a. Vendor shall provide all necessary processing services associated with processing merchant cards (e.g., Authorizations, Pre-authorizations, Capture, Reversals, Voids, and Returns). Vendor shall provide audit trails for each type of transaction.
- b. Vendor shall provide authorization processing services through the appropriate authorization networks, depending upon the type of card. Voice authorization services via toll free telephone numbers must be provided when necessary.
- c. In conjunction with the authorization process, vendor shall return a unique transaction identifier with each authorization/rejection for all data capture methods, along with information necessary to identify the source of the transaction (e.g., merchant number and POS terminal number).
- d. If the participant or gateway assigns an identifying transaction number to the submitted transaction, the transaction number shall be included on the authorization/rejection returned to the participant or gateway.
- e. For participants requiring the service, vendor shall provide fraud verification services:
  - i. Address Verification Service (Street Number and Zip Code)
  - ii. Card Security Verification Service (CVV2, CVC2)
  - iii. Real-time authorization
- f. In the case of proprietary card transactions, if approved in advance by the State Controller, and if the participant has the appropriate equipment (e.g., split transaction POS terminals), the option shall be offered that allows for the authorization to be effected directly with the card issuing company. This option shall be determined on a case by case basis.
- g. Vendor shall provide for the acceptance and transmission of transactions for settlement through the appropriate networks. This includes all types of cards, unless the direct submission option for proprietary cards is utilized, as referenced above.
- h. The vendor shall have edits in place to assist in preventing duplicate, erroneous, or invalid payments from being sent through the appropriate networks.

**I. Facilitate Funds Settlement Processing with Depository Bank(s)**

- a. Vendor shall provide gross settlement (the net amount of sales and credit returns processed) to either a depository bank account designated by the State Treasurer in the case of a State Agency participant, or to a depository bank account designated by the chief fiscal officer of a non-State Agency participant. A

participant that receives funds comprising of both State and local funds (e.g., community college or Clerk of Superior Court) may be considered a non-State agency for purposes of this requirement, depending upon the participant's banking relationships.

- b. In the case of a State Treasurer designated bank account for non-Proprietary card transactions (i.e., Visa and MasterCard), the funds shall be credited the next banking day after the transaction is submitted to the Vendor for processing, provided the transaction is submitted to the Vendor prior to 10:00 p.m. The participant may elect either Wachovia Bank or SunTrust Bank as the depository bank to accommodate this next banking day funding.
- c. In the case of a State Treasurer designated bank account for Proprietary card transactions (i.e., American Express and Discover), the settlement of funds shall be in accordance with the agreement between the State and the card issuing company. The participant may elect either Wachovia Bank or SunTrust Bank as the depository bank
- d. In the case of a non-State agency participant for non-Proprietary card transactions (i.e., Visa and MasterCard), the funds shall be credited depending upon the depository bank that the participant's chief fiscal officer designates. The vendor shall offer the option of settling into a bank account maintained at either Wachovia Bank or SunTrust Bank, thereby providing funds availability the next banking day after the transaction is submitted to the Vendor for processing (the same option available to State Agency participants). Funds availability may be delayed an additional day if the non-State participant designates a bank other than Wachovia Bank or SunTrust Bank.
- e. In the case of a non-State agency participant for Proprietary card transactions (i.e., American Express and Discover), the settlement of funds shall be in accordance with the agreement between the card issuing company and the participant (or with the State in the case of a master agreement).
- f. Funding shall be in the form of either: 1) an ACH transaction; or 2) in the form equivalent to an ACH formatted transaction.
- g. The ACH transaction or ACH formatted transaction shall contain at a minimum, the amount of the settlement and the merchant number, which must be in the customer ID field.
- h. In the case of a State Treasurer designated bank account, the State Treasurer shall arrange with either Wachovia Bank or SunTrust Bank for the establishment of a separate Deposit Demand Account (DDA) for each participant to accommodate the daily ACH settlements and to accommodate any chargebacks.
  - i. The participant's settlement DDA will be a "sub-zero balance account" (sub-ZBA) that sweeps "net" (of chargebacks) to the State Treasurer's statewide ZBA account maintained at the bank (which is ultimately swept to the State Treasurer's main account at the bank).
  - ii. The participant shall have access to the sub-ZBA via the bank provided online reporting system.
  - iii. Each daily sweep transaction from the sub-ZBA to the ZBA shall be contained on the daily BAI file that the depository bank provides the State Treasurer (for the ZBA transaction activity), with the BAI code indicator "275" (ZBA Credit), with the sub-ZBA account number being identified.
  - iv. The State Treasurer shall be responsible for paying for the banking services in accordance with pre-established arrangements made between the depository bank and the State Treasurer for depository related services. The State Treasurer shall not be responsible for any bank account services associated with the settlement of funds to a non-State Treasurer bank account (e.g., local unit of government, community college, local school administrative unit, Clerk of Court, etc.), but shall be responsibility of the participant.
  - v. The Vendor and the State Treasurer both affirm that arrangements have been made with both Wachovia Bank and SunTrust Bank to accommodate the depository arrangements described above.
  - vi. The State Treasurer shall have sole responsibility for maintaining the accounts described herein.

**J. Transaction Reporting**

- a. Vendor shall provide an Internet based online reporting system for the tracking of all transactions. The system shall be accessible by each participant, and accessible by OSC (agent head office level) on a global basis. Such reporting will be via the Vendor's product called "MyMerchant View," or through the Vendor's product called "ClientLine."
- b. Vendor shall make available to all participants all reports that are generally provided to its customers, including any future enhancements.
- c. Vendor shall, for central management purposes, provide OSC a monthly summary report depicting transaction volumes for all participants.
- d. Vendor shall provide the STATE and participants other reporting capabilities and functionality that it generally provides to its customers, to include but not limited to, hardcopy reporting, flat files transmissions, dispute processing system reporting, and special reporting.
- e. Vendor shall retain records for at least as long as any action may be required to accommodate any Card Associations' Rules, but at a minimum of eighteen (18) months.

**K. Common Payment Service (CPS) Gateway Interaction**

- a. Vendor shall support transactions submitted for authorization and processing via the State operated Common Payment Service (CPS) gateway.
- b. Vendor shall interact with CPS's components, which include Cybersource middleware (version 3.1.9 SP8 or any future upgrade version). Should the vendor determine that its system is not compatible with any or all of the components of CPS, the vendor may propose a solution that provides for a retrofitting or replacing of CPS's components. Any retrofitting or replacing shall be at the vendor's expense, unless included in the cost proposal herein.
- c. Vendor shall support the same business and support functions for CPS as is required to be provided participants directly, as specified herein.
- d. Vendor shall support CPS transmissions using frame relay circuit (primary) and a second frame relay circuit connected to a vendor site at a separate location as a backup. The frame relay connections shall be provided by the vendor at no additional cost to the STATE.
- e. Vendor shall provide sufficient advanced notice to the CPS of planned processing outages.
- f. Vendor shall provide services to CPS in accordance with the Service Level Agreement (SLA) contained herein as a schedule.

**L. Other Third Party Gateway Interaction**

- a. Vendor shall accommodate a variety of third party gateways that the participants may utilize. The vendor is not required to support interaction with all gateways currently being utilized by the participants. Should a vendor be selected that does not support one or more of the current gateways, the vendor may propose an alternate solution, or the State may make alternate arrangements to support those participants.
- b. Only gateways that are Payment Card Industry (PCI) compliant shall be utilized. The vendor shall advise the STATE of any gateway being used by a participant that reverts to a non-compliant status, which may result in discontinuation of the non-compliant gateway services. Vendor believes that all systems are compliant and will not knowingly utilize a non-compliant system. Vendor agrees to notify the State as soon as commercially reasonable after it has been made aware of any non-compliant system.

**M. Point of Sale (POS) Terminals / Equipment Deployment and Servicing**

- a. The vendor shall make available to the participants suitable point of sale (POS) terminals/equipment and necessary printer devices and supplies to accommodate the participants' capture needs. Equipment that accommodates various capture methods, to include wireless devices, shall be provided.

- b. The vendor shall provide for a menu of terminals/equipment from which the participants may choose, which may be revised from time to time as new equipment and newer models become available.
- c. The options available to the participants shall include the options to purchase, rent, and lease.
- d. The terminals/equipment shall meet all industry standards.
- e. Split dial terminals for plural processing, allowing direct authorization with proprietary card companies shall be available, if that option is chosen by the participant.

**N. Customer Service and Support**

- a. The vendor shall provide for a customer service arrangement to meet the needs of the Office of the State Controller, the Common Payment Service, and the participants. Most servicing needs of the participants are anticipated to be coordinated through the Office of State Controller, with the vendor dealing directly with the participants for selected servicing needs. The specific service arrangements are as described in vendor's response to the request for BAFO.
- b. The vendor shall provide training for new participants via a phone/Internet training module. Training will include but not be limited to topics such as: terminal use, report generation, transaction queries, authorizations, fraud management, retrieval and chargeback handling, management of interchange qualifications, and related "back office" functions.
- c. The vendor shall provide an ongoing training program for participants.
- d. The vendor shall provide an ongoing education program for participants.
- e. The vendor shall provide technical support to participants and the Common Payment Service (CPS) 24x7, via a 1-800 telephone number.
- f. The vendor shall keep the Office of the State Controller and participants adequately and timely informed of all relevant card industry rule changes, and provide guidance for adherence to the changes.
- g. The vendor shall assist the State and any participant in any resolutions relating to any card association rules changes or alleged violations of the any rules.
- h. The vendor shall conduct at least an annual onsite business review with the Office of the State Controller, providing an analysis of the utilization of services by all participants. Annual transaction volumes shall be reported on the State's fiscal year, from July 1 through June 30. The review shall also indicate the amount of revenues paid the vendor by the various participants during the fiscal year, broken down by participant category (corporate divisions). Other pertinent statistics shall be reported, including but not limited to the number of participants, the number of merchant numbers, the number of terminal IDs, average ticket size, mix of card types, effective interchange rates, qualification rates, etc.
- i. The State desires to receive the best available rate, with as many transactions as possible being coded with the program rate category of either "emerging markets" (in the case of Visa), or "public sector" (in the case of MasterCard), or other similar appropriate clearing level designation. The vendor shall provide adequate coding and monitoring procedures to ensure that the best and appropriate Merchant Category Code (MCC) is assigned to transactions. The method(s) shall include bi-annual reports that reflect transactions by participants that are experiencing excessive downgrades. The State acknowledges that each participant must adhere to Visa & MasterCard's Interchange Qualification data requirements, that may be in effect from time to time, in order to obtain the appropriate rate. The vendor shall accommodate an audit, by either the State or contracted vendor, performed to ensure that the best available MCC is being utilized. See also paragraph 39 to section VII of the request for BAFO.

**O. Chargebacks and Disputed Payments**

- a. The vendor shall provide for a system that handles chargebacks and disputed payments. Unless otherwise arranged, all debits shall be made to the same settlement bank account to which the original credit settlement was made. Processing shall be via the Vendor's Integrated Dispute System (IDS) or comparable system.

- b. The vendor shall provide a system to timely communicate all notifications regarding chargebacks and disputed payments, and for the tracking of such transactions. Participant requests are forwarded to the participant via paper or electronic method, based on participant set-up.
- c. The vendor shall coordinate with the financial institutions and associated entities to resolve disputed payments within the timeframes allotted by the card associations.

**P. Proprietary Card Processing**

- a. Vendor shall provide processing of transactions for proprietary cards (i.e., other than Visa and MasterCard), in accordance with the agreements that either the State Controller or participant(s) may enter into directly with the issuing card company.
- b. Vendor shall provide the participant the option, if so elected, to utilize point of sale terminals that accommodate split dialing, allowing the equipment to transmit proprietary card transactions directly to the issuing card company, without any involvement of the vendor.

**Q. Payment Card Industry Security Standards**

- a. The vendor and participant shall comply with all Payment Card Industry (PCI) security standards, including:
  - i. Only providing and/or utilizing PCI compliant equipment for participants.
  - ii. Storing card holder information relating to transactions appropriately, including authorizations, settlements, and reversals, etc.
  - iii. Transmitting cardholder transactions appropriately.
- b. The vendor shall coordinate and cooperate with any PCI security assessment vendor that the State may contract with, to ensure all participants and gateways are PCI compliant.

**R. Participant Billing / Invoicing**

- a. Vendor shall provide a monthly detailed invoice to each participant for agency-specific services, as per the rates specified in the approved vendor's fee schedule. Fees are not to be netted against transactions (i.e., deducted from the settlement of transactions). The vendor shall provide for the timely delivery of the invoices to the participants.
- b. The fee schedule shall contain two categories of fees: pass through fees and vendor-levied fees. Any increases in pass through fees may be passed on to the participants provided an advance notice is provided. Any decrease in pass through fees must be put into effect based upon the actual date effected by the charging association or switch network.
- c. The invoicing shall be at the participant level, with a rollup of merchant numbers for each chain. Additionally, for central management purposes, rollup reporting of chains shall be provided to OSC at the agent level.
- d. Each participant shall pay the vendor directly for services invoiced.
- e. The vendor shall keep the Office of the State Controller informed of any participants that are delinquent in making payments.

**S. Conversion Plan**

- a. Vendor shall submit a general conversion plan in the event a future reporting system is implemented.

**T. Backup and Disaster Recovery**

- a. Vendor shall have an adequate backup and disaster recovery plan, relating to both technical and environmental situations and make summary of such plan available to the STATE if requested.
- b. Vendor shall have an adequate disaster continuance plan in case of isolated and regional natural disasters.