



Department of Budget and Finance

SOLICITATION

No. FAD2015-01

COMMERCIAL BANKING SERVICES STATE OF HAWAII TREASURY DEPARTMENT OF BUDGET AND FINANCE, FINANCIAL ADMINISTRATION DIVISION

WILL BE RECEIVED UP TO 4:00 P.M. HST ON

OCTOBER 8, 2014

IN THE DEPARTMENT OF BUDGET AND FINANCE, NO 1 CAPITOL DISTRICT, 250 SOUTH HOTEL STREET, ROOM 302, HONOLULU, HAWAII 96813. DIRECT QUESTIONS RELATING TO THIS SOLICITATION TO JUDY DANG, TELEPHONE (808) 586-3119, FACSIMILE (808) 586-1595 OR E-MAIL AT JUDY.A.DANG@HAWAII.GOV.

MS. JUDY DANG, FUNDS CUSTODY MANAGER
SOLICITATION MANAGER
DEPARTMENT OF BUDGET AND FINANCE

TABLE OF CONTENTS

	<u>Page</u>
SECTION ONE: INTRODUCTION, TERMS AND ACRONYMS, KEY DATES.....	1
SECTION TWO: BACKGROUND AND SCOPE OF WORK	5
SECTION THREE: EVALUATION CRITERIA.....	17
SECTION FOUR: PROPOSAL FORMAT AND CONTENT.....	18
SECTION FIVE: QUESTIONS REGARDING VENDOR QUALIFICATIONS.....	22
SECTION SIX: CONTRACTOR SELECTION AND CONTRACT AWARD.....	37
SECTION SEVEN: EXHIBITS.....	41
• Exhibit A: Intent to Submit a Proposal Response	
• Exhibit B: Offer Form, OF-1	
• Exhibit C: Contract Form and AG General Conditions	
• Exhibit D: Collateralization Requirements	
• Exhibit E: Armored Car Pickup Locations	
• Exhibit F: General Fund Portfolio	
• Exhibit G: Permitted Investments	
• Exhibit H: Cigarette Tax Stamp Inventory and Distribution Specifications	
• Exhibit I: Data Collection Center Requirements and Responsibilities	
• Exhibit J: Service Group 1: Primary Depository Bank Pro Forma	
• Exhibit K: Service Group 2: Lockbox Pro Forma	
• Exhibit L: Service Group 3: Electronic Funds Processing Pro Forma	
• Exhibit M: Service Group 4: Custody Services	
• Exhibit N: Service Group 5: Data Collection Center for Department of Taxation Pro Forma	
• Exhibit O: Lockbox Remittance Documents	

SECTION ONE
INTRODUCTION, TERMS AND ACRONYMS, KEY DATES

1.1 INTRODUCTION

The Department of Budget and Finance (DB&F) is requesting proposals for commercial banking services to meet the depository and cash management needs of the State Treasury and State departments and agencies. To provide the State with the latitude to select multiple banking partners and to find the most efficient banking solution at the best price, the services requested in this Solicitation have been divided into five (5) Service Groups as listed below. **Firms may propose to provide one or more of these services.**

Service Group 1: Primary Depository Bank

Service Group 2: Lockbox Services

Service Group 3: Electronic Funds Processing (Disbursements)

Service Group 4: Custody Services

Service Group 5: Data Collection Center for Department of Taxation

This Solicitation applies to the accounts and banking requirements of all affiliated entities of the State listed below.

- Department of Accounting & General Services (DAGS)
- Department of Agriculture
- Department of Attorney General
- Department of Budget & Finance
- Department of Commerce & Consumer Affairs
- Department of Defense
- Department of Education
- Department of Hawaiian Homelands
- Department of Health Department of Human Resource Development
- Department of Human Services
- Department of Labor & Industrial Relations (DLIR)
- Department of Land and Natural Resources
- Department of Public Safety

- Department of Taxation
- Department of Transportation

1.2 TERMS AND ACRONYMS USED THROUGHOUT THE SOLICITATION

- DB&F = Department of Budget and Finance
- DAGS = Department of Accounting and General Services
- DCC = Data Collection Center
- DOTAX = Department of Taxation
- GC = General Conditions, issued by the Department of the Attorney General
- GET = General Excise Tax
- GP = General Provisions
- HRS = Hawai'i Revised Statutes
- HST = Hawaiian Standard Time
- SBS = Solicitation for Banking Services
- Solicitation Manager = Judy Dang, Funds Custody Manager
Department of Budget & Finance
- State = State of Hawai'i, including its Departments and Agencies

1.3 SOLICITATION SCHEDULE AND SIGNIFICANT DATES

The schedule represents the State's best estimate of the schedule that will be followed. All times indicated are Hawaiian Standard Time (HST). If a component of this schedule, such as "Solicitation Due date/time" is delayed, the rest of the schedule will likely be shifted by the same number of days. Any change to the Solicitation schedule and significant dates shall be reflected in and issued in an addendum. The approximate schedule is as follows:

Release of Solicitation	September 3, 2014
Due date/time to Submit Questions	September 10, 2014 by 4:00 pm HST
State's Response to Questions	September 24, 2014
Intent to Submit a Proposal Response Due	September 26, 2014
Proposals Due date/time	October 8, 2014 by 4:00 pm HST
Finalist Interviews / Presentations	November 18 - 19, 2014
Notice of Award	December 5, 2014
Contract Start Date	July 1, 2015

1.4 QUESTIONS AND ANSWERS PRIOR TO OPENING OF PROPOSALS

All questions about the SBS shall be submitted by e-mail by 4:00 p.m. HST on or before the date listed under Section 1.3, Solicitation Schedule and Significant Dates, as amended, to:

Judy Dang
Department of Budget & Finance
Judy.A.Dang@Hawaii.gov

and

Barbara Fava
Managing Director; PFM Asset Management
favab@pfm.com

The State will provide written responses to questions via e-mail by the date specified in Section 1.3, *Solicitation Schedule and Significant Dates*.

1.5 INTENT TO SUBMIT A PROPOSAL RESPONSE

Offerors shall complete the Exhibit A: NOTICE OF INTENTION TO SUBMIT A PROPOSAL.

The NOTICE OF INTENTION TO SUBMIT A PROPOSAL must be received by the Solicitation Manager, Judy Dang, by e-mail no later than 4:00 p.m. HST, September 26, 2014.

1.6 PREPARATION OF PROPOSAL

Careful attention must be paid to all requested items contained in this Solicitation. Please read the entire package before bidding.

Each proposal shall be prepared simply and economically avoiding the use of elaborate promotional materials beyond what is sufficient to provide a complete, accurate, and reliable presentation. For ease of review, the proposals must follow the outline in Section 3 of this Solicitation. Each response should be clearly numbered and the full question listed. Each page of the proposal must be sequentially numbered.

1.7 SUBMISSIONS OF PROPOSAL RESPONSES

In order to be considered for selection, Offerors must submit the required materials to the State no later than the date/time listed under Section 1.3, *Solicitation Schedule and Significant Dates*. Any proposals received after this date and time shall not be accepted or considered. Faxes will not be accepted.

The following must be submitted:

- a. **One (1) original and five (5) copies** of the entire proposal, INCLUDING ALL ATTACHMENTS.

- b. **One (1) electronic copy in WORD format or searchable PDF** (*CD or flash drive*) of the entire proposal, INCLUDING ALL ATTACHMENTS.
- c. Proposal submissions must be sent to:
 - Ms. Judy Dang
Funds Custody Manager
No 1 Capitol District
250 South Hotel Street, Rm. 302
Honolulu, HI 96813
(808) 586-3119
- d. PFM Asset Management LLC is assisting the State with this Solicitation. The following must be submitted to PFM Asset Management LLC at the address below no later than the date/time listed under Section 1.3, *Solicitation Schedule and Significant Dates*:
 - (i) **One (1) copy** of the entire proposal, INCLUDING ALL ATTACHMENTS.
 - (ii) **One (1) electronic copy in WORD format or searchable PDF** (*CD or flash drive*) of the entire proposal, INCLUDING ALL ATTACHMENTS.
 - (iii) Proposal submissions must be sent to:
 - Ms. Barbara Fava
Managing Director
PFM Asset Management LLC
1 Keystone Plaza, Suite 300
N. Front and Market Streets
Harrisburg, PA 17101
(717) 233-2723

1.8 CANCELLATION

The Solicitation may be cancelled and any or all proposals rejected in whole or in part, without liability to the State, when it is determined to be in the best interest of the State.

SECTION TWO

BACKGROUND AND SCOPE OF WORK

2.1 PROJECT OVERVIEW AND HISTORY

The State intends to select one or more financial institutions to provide the required Commercial Banking Services. To facilitate the evaluation of proposals, the services have been divided into five (5) Service Groups as listed below. Firms may propose to provide **one or more** of these services.

Service Group 1: Primary Depository Bank

Service Group 2: Lockbox Services

Service Group 3: Electronic Funds Processing (Disbursements)

Service Group 4: Custody Services

Service Group 5: Data Collection Center for Department of Taxation

Each proposing firm should clearly state in a cover letter to the proposal the Service Group(s) it is proposing to provide.

This Solicitation applies for to various affiliated entities of the State, including the Agencies and Departments listed in the Introduction to this Solicitation. These entities have separate tax identification numbers.

2.2 EXEMPTION FROM CHAPTER 103D HAWAI'I REVISED STATUTES (HRS)

Offerors are notified that this procurement of services is expressly exempt from Chapter 103D, HRS, (Hawai'i Public Procurement Code) by Section 103D-102, HRS. Although this solicitation is not subject to Chapter 103D, HRS, the General Conditions in EXHIBIT C of this SBS refer to Chapter 103D, HRS, and the Procurement Rules, which shall be incorporated as part of the agreement where applicable for these services.

2.3 SCOPE OF WORK

A. Service Group 1: Primary Depository Bank

General Requirements: As required by HRS §38-1, the State's Primary Depository Bank must be a federally insured national or state bank, savings and loan association, or financial services loan company; or a federal or state credit union insured by the national credit union administration authorized to do business in the State of Hawai'i.

As required by HRS §38-2, no more than 40% of the aggregate amount of moneys of the State available for deposit and on deposit in the State Treasury may be deposited in depositories outside the State.

As required by HRS §38-3, depositories must pledge securities to collateralize State Deposits. A complete list of the eligible securities is provided in Exhibit D

Currently the State uses twenty-four (24) demand deposit accounts. There are three (3) ZBA Master and twenty-one (21) ZBA Subsidiary Accounts.

The State occasionally orders coin and currency from the bank via its armored car provider. Currency orders are typically for \$1 bills and \$5 bills and total \$2,500 to \$5,000 per month. The State orders 75 to 150 coin rolls per month.

The State requires that the bank assign an employee as the primary relationship contact for the State. Day--to-day customer support is required from 7:45 a.m. to 4:30 p.m. HST.

Requirements include:

- a) Meet the requirements of HRS §38-1 and HRS §38-2.
- b) Collateralize State funds in accordance with HRS §38-3.
- c) Be "Well Capitalized" as defined by the Federal Deposit Insurance Corporation (FDIC),
- d) Establish a minimum of 24 demand deposit accounts to meet the banking requirements of the State and maintain accurate records of activity in those accounts,
- e) Establish additional accounts as needed under the negotiated fee structure,
- f) Offer ZBA services, Fulfill orders for currency and coin through the State's armored car provider, and
- g) Provide a primary relationship contact and dedicated customer support from 7:45 a.m. to 4:30 p.m. HST on all business days.

1. **Deposit Services:**

All but two of the State Agencies and Departments covered by this Solicitation collect funds. Most of the funds collected are deposited to the State's Primary Depository Bank. To properly account for the deposit, each depositing entity uses unique deposit tickets with deposit location codes. The State uses deposit reconciliation services to track and account for these deposits. Currently, there are 30 active deposit location codes in use. Location codes may need to be added or deleted periodically.

Deposits are transported by armored car courier or are hand-carried to bank branches. (The State contract for Armored Car Services on Oahu is United Courier Services, Inc. dba United Armored Car Services. State Agencies and Departments on neighbor islands contract independently for armored car services). The list of locations from with the armored car collects deposits on Oahu is provided in Exhibit E. Armored car service is used for locations receiving a high volume of cash and checks.

Regional offices of Departments and Agencies typically deposit cash and checks directly with a local branch. The Primary Depository Bank must have deposit capabilities **on all islands**; an affiliate relationship with another bank may meet this requirement.

In total, the State collects approximately 1.5 million checks per year. Volumes fluctuate from 85,000 checks per month (November) to 198,000 checks (May). All deposited items are imaged. The State also collects approximately \$14.1 million in cash per year, including approximately 1,900 bags of bulk coin of various denominations.

Checks received by the State are all deposited to the bank for processing. However, a number of departments are interested in using remote deposit capture ("RDC") for the daily deposit of checks. Approximately eight departments with roughly 30 deposit locations have indicated a desire to implement RDC services; many of these are locations that do not have convenient access to a local branch.

The current bank contract calls for the bank to "provide as needed, transport boxes, locking cash and coin bags and plastic bags for use by State agencies at no cost to the State." During 2013, the incumbent bank supplied 5,600 9 x 12 bags, 250 20 x 20 bags and 300 19 x 28 bags. The bank also provided a nominal number of cash straps for the Department of Taxation.

Although not a required service, the State is interested in having the bank provide check verification services for some collection locations.

Required services include:

- a. Process the deposit of approximately 1.5 million checks per year at a local branch or vault location or by remote deposit capture,
 - b. Process the collection of \$14.1 million of cash per year including 1,900 bags of bulk coins at a local branch or vault location,
 - c. Provide check redeposit services,
 - d. Provide deposit reconciliation services,
 - e. Image deposited items, and
 - f. Provide tamper evident plastic bags at no cost to the State.
2. **Disbursement Services:** The State disburses approximately 768,000 checks per year for accounts payable and payroll. Volumes fluctuate from a low of 44,000 (August) to a high of 111,000 (April) checks per month.

The State uses traditional positive pay services on some accounts and reverse positive pay on other accounts. For accounts using reverse positive pay, a daily transmission of checks paid is received from the bank each morning by 6:00 a.m. and the State compares the file to its internal records. Any discrepancies are reported to the bank by 11 a.m. HST.

The State is interested in using traditional positive pay on all accounts. It is important to have a late cutoff time to decision items to pay or to reject. The State would prefer a deadline that is 11 a.m. HST or later. Although not required, the State would like the bank to provide payee positive pay and online exception review. The State issues some checks with payee information appearing on one to three lines. The first line of payee information appears at the same position on all checks.

On June 1st of each year, the State places a “blanket” stop payment on all outstanding checks that will escheat on June 30th of that year (i.e. checks issued during the previous fiscal year). There were 8,715 blanket stop payments placed for fiscal year 2014, 6,870 for fiscal year 2013, and 11,035 for fiscal year 2012. These stop payments must be permanent.

Required services include:

- a. Provide positive pay service, including teller positive pay,
- b. Provide permanent stop payment services,
- c. Provide online images of cleared check images (front and back), and
- d. Provide images of cleared check images (front and bank) on CD-ROMs with software licensing rights to access and locate images for the life of the contract along with any extensions plus 10 years.

3. **Electronic Transfer of Funds:** The vendor selected for Service Group 3: Electronic Funds Transfer will handle the majority of the State’s outgoing ACH payments to employees and others. However, there will be some electronic items processed through the Primary Depository Bank. In addition, the Primary Depository Bank will also send and receive fed wires; it is expected that the bank will send approximately 620 domestic wires per year and receive approximately 800 domestic wires per year. In addition, the State occasionally process (approximately 10 to 20 per year) international wires, primarily to Asian countries.

The Primary Depository Bank will be required to process some ACH credits and ACH debits each year. ACH fraud control services must be provided for all accounts. Further, complete ACH addenda information must be included on prior day reports.

The Primary Depository Bank is required to provide a tax service to facilitate the electronic payment of payroll and other taxes. The service must allow for payments to be scheduled in advance and provide confirmations of payments made.

Required services include:

- a. Accept and send ACH transactions,
- b. Provide full reporting of ACH addenda information on prior day reports,
- c. Provide ACH debit blocking and filtering services on all accounts,
- d. Provide a secure electronic method for initiating wire transfers between the hours of 5:00 a.m. and 11:30 a.m. HST on days when debt service or East coast business deadlines need to be met,
- e. Provide a secure electronic method for initiating intra-bank transfers,
- f. Permit authorized persons to drawdown funds from State accounts by reverse wire,
- g. Provide daylight overdraft protection to cover the State’s cash flow requirements,
- h. Provide a simple, secure way to electronically send payroll and other taxes, and
- i. Receive and send domestic and international wires.

4. **Payroll Processing:** The State pays roughly 70,000 employees of which 87% are enrolled in a quasi-direct deposit process. The State is not currently able to provide an ACH file to the bank for a true direct deposit process; a modified approach is used to eliminate paper checks and to allow State employees to receive their pay electronically. Instead of initiating ACH credits to each employee's account, the State sends each of the recipient banks a file containing sufficient information to identify the employee and the payroll amount. The Primary Depository Bank receives a file from the State containing the total dollar amounts to be distributed to each financial institution and then initiates a single ACH credit to each bank with funds to cover the payroll.

There is an exception to this process for some small banks, credit unions and investment firms. For less than 50 financial institutions, the State sends the ACH credit directly to the bank, instead of having the Primary Depository Bank fund the payroll.

The State is in the early stages of replacing its payroll system. When the new system is functional, the State will have the ability to create an ACH file and employ a true direct deposit process. The firm selected to provide Electronic Funds Processing (Service Group 3) will then be used to initiate the ACH credits to employees. We are not able to estimate how long the implementation of the new system will take.

Employees are paid semi-monthly on the 5th and 20th of every month. The semi-monthly payroll can be up to \$83 million. New employees are required to use direct deposit.

Required services include:

- a. Send ACH credit transactions.

5. **Reporting:** Multiple departments require access to daily reports of balances and transaction information, including current (real time) and prior day reporting of ledger balance, available balance, and summary and details of credits/debits posted. Images of cancelled checks must be retained for 12 years, so the State requires that the bank provide images on CD-ROM or by online access. The software license to access images for CD-ROMs must be valid for the life of the contract including any extensions plus 10 years.

By 9:30 am HST each day, the bank is required to deliver a CD-ROM of prior-day cleared check images, and hard copy of bank adjustments debit/credit memos to:

Cashiering Section, State of Hawai'i Treasury
State Department of Budget & Finance, Financial Administration Division
250 South Hotel Street, Room 104
Honolulu, HI 96813

The bank must also provide two separate daily reconciliation files of cashed checks. These files must include (i) check number, (ii) amount of check, (iii) bank code or record type code (to be assigned by DB&F), (iv) date cashed (date the bank paid the check), (iv) fund code or legislative code (to be assigned by

DB&F), and (v) fiscal year of check. The accounts included in each file will be specified by DB&F. An electronic copy of this reconciliation file should be sent in the specified file format, via FTP. A paper and electronic copy of this reconciliation file is also required to be sent by courier.

In addition, a daily stop payment report must be generated for each accounts with (i) account number, (ii) date the stop payment order or the stop payment order cancellation was placed, (iii) type of action (“add” for placement of stop payment orders in the previous month or “delete” for placement of stop payment order cancellations in the previous month), (iv) check number, (v) check date, (vi) check amount, and (vii) payee name. A cumulative stop payment report is also generated on a monthly basis. The report layout is similar to the daily report, but reports on a cumulative basis.

On a monthly basis, the bank is required to send a CD-ROM containing bank statements, deposit slips, debit advice notices and credit advice notices for all accounts.

In addition, a monthly deposit reconciliation file is required to be transmitted to the state’s FTP server. The file contains amount, deposit date, bank code, record type code, and deposit location code (specified by DB&F), in a specified file format. In the future, the State may want to receive this file on a daily basis.

The following processing procedures apply on state holidays:

- If the State is closed, but the bank is open – the two daily files are combined
- If the State is open, but the bank is closed – no file is required and processing is done the next bank business day.

Required services include:

- a. Online balance reporting services with same day (real time) and prior day information including full addenda information on ACH receipts,
- b. Online viewing and printing of cashed checks and deposits.
- c. Deliver CD-ROM of prior day cleared checks to DB&F each day by 9:30 am HST with the ability to view and print check images from the CD-ROM,
- d. Daily paper and electronic listing of all cleared checks sorted by fund and accounts with subtotals,
- e. Transmit daily electronic reconciliation file of cleared checks, in specified file format, via FTP.
- f. Deliver paper and electronic copies of deposit adjustment and debit/credit receipts, each day by 9:30 am HST,
- g. Transmit a monthly deposit reconciliation file in specified file format.via FTP by the 5th business day of the following month,
- h. Deliver a daily and cumulative monthly list of stop payments placed on all check-writing accounts in paper and electronic format.
- i. Allow an unlimited number of State employees at no additional cost to access the bank’s online reporting system with different levels of authorization,
- j. Online monthly activity statements and reports for all accounts by the 5rd business day of the following month,

- k. Deliver paper or CD-ROM copies of monthly activity statements and reports for all accounts by the 5th business day of the following month,
 - l. Provide account reconciliation (full, partial, positive pay, and/or deposit reconciliation depending on account), and
 - m. Deliver detailed monthly account analysis statement for each account and consolidated statements (in account groupings to be specified by DB&F) showing charges for all account services with supporting documentation as needed.
6. **Bank Balances:** During the 12 months ending February 2014, the State maintained a deposit balance of approximately \$153 million on average at its primary bank. Balances fluctuated from a high of \$221 million in January 2014 to a low of \$119 million in June 2013.

Historically, the State has preferred to receive interest income on deposit balances. In the future, the State may consider using funds as compensating balances to cover bank service charges.

Bank deposits must be collateralized in accordance with HRS §38-3 (a list of the securities permitted as collateral is provided in Exhibit D.) In addition to collateralized deposit accounts, the State will also consider certain sweep options, such as money market mutual funds and overnight repurchase agreements that complies with §36-21 HRS and the State's Investment Policy. (a list of permitted investments is provided in Exhibit G.)

The State has additional funds that may be held at the bank depending on the competitiveness of the interest rate and availability of collateral.

Required services include:

- a. Collateralize all balances in accordance with HRS §38-3.
 - b. Provide a competitive earnings rate on deposit account balances,
 - c. Provide a competitive earnings credit rate for bank balances that is no less than the rate on 3-month U.S. Treasury Bills, and
 - d. Provide an overnight investment service (sweep that complies with §36-21 HRS and the State's Investment Policy).
7. **Cigarette Tax Stamp Inventory & Distribution.** Chapter 245 HRS authorizes the Department of Taxation ("DOTAX") to administer the State's Cigarette Tax and Tobacco Tax Law. The State uses the State's Primary Depository Bank to sell cigarette tax stamps within the State.

The Primary Depository Bank provides storage and safekeeping of the stamps related to the sale of tax stamps, prepares reports, and supervises and processes transactions. The bank must have facilities at its banking offices for the storage, safekeeping, and sale of cigarette tax stamps to conveniently serve the needs of the DOTAX and the cigarette distributors. There is a concentration of business at centers of population, and a large share of the sales will be made to relatively few distributors at these population centers. The State must have the ability to pick up of stamps at any of the Offeror's branch locations on the islands of Oahu, Maui, Kauai and Hawai'i.

The State would like to receive daily reports electronically (Distribution Entries List ACH format) instead of hard copy reports to facilitate payment information. These daily reports should be reconciled to the monthly report before sending the monthly report to DOTAX.

Please refer to Exhibit H for the specific requirements of the transactions and reporting requirements of the program.

B. Service Group 2: Lockbox Services

The State uses lockboxes to collect payments for a number of Departments. Information about existing lockboxes is provided below:

Department of Human Services: Benefit Employment Support
Purpose: Collection of Benefit Overpayments for General Assistance, SNAP and Low Income Housing Energy Assistance
Lockbox Type: <input type="checkbox"/> Wholesale <input checked="" type="checkbox"/> Retail <input type="checkbox"/> Wholetail
Annual Collections: \$434,554
Annual Volume Received: 90,000
Standard Remittance Documents? Yes * An addendum will be issued with a copy of the remittance document.
Items Scanned: <input type="checkbox"/> Envelope <input checked="" type="checkbox"/> Check <input checked="" type="checkbox"/> Remittance Document <input checked="" type="checkbox"/> Correspondence
Requires HIPAA Compliance? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Information Sent Electronically: Daily report of prior day activity
Physical Copies Returned: Remittance documents

In addition to these existing lockboxes, the State is considering the use of lockbox services for three additional purposes as described below.

Department of Health: Ambulance Services
Purpose: Ambulance Billing Collections
Lockbox Type: <input checked="" type="checkbox"/> Wholesale <input type="checkbox"/> Retail <input type="checkbox"/> Wholetail
Annual Collections: \$30,921,483
Annual Volume Received: 294,998
Standard Remittance Documents? Yes * An addendum will be issued with a copy of the remittance document.
Items Scanned: <input type="checkbox"/> Envelope <input checked="" type="checkbox"/> Check <input checked="" type="checkbox"/> Remittance Document <input checked="" type="checkbox"/> Correspondence Over 300,000 scanned images per year.
Requires HIPAA Compliance? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Information Sent Electronically: Yes
Physical Copies Returned: None (Shred after 14 days)

Department of Labor & Industrial Relations: Unemployment Insurance
Purpose: Collection of Unemployment Insurance Premiums Employers
Annual Collections: An addendum will be issued with this information.
Annual Volume Received: 100,000
Standard Remittance Documents? Yes, Form UC-B6 and UC-B6a (Copies provided in Exhibit O)
Items Scanned: <input checked="" type="checkbox"/> Envelope <input checked="" type="checkbox"/> Check <input checked="" type="checkbox"/> Remittance Document <input checked="" type="checkbox"/> Correspondence
Requires HIPAA Compliance? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Information Sent Electronically: <ul style="list-style-type: none"> • Year / Quarter (pre-printed on form) • Account # (pre-printed on form) • Total wages paid in the quarter • Excess wages • Net Taxable wages • Contribution Due • E&T Assessment Due • Amount Due • Penalty & Interest
Physical Copies Returned: To be determined.

Department of Transportation - Harbors
Purpose: Collection of Shipping Fees from Individuals and Business
Annual Collections: \$112,172,061
Annual Volume Received: 9,063
Standard Remittance Documents? Yes (Copy provided in Exhibit O)
Items Scanned: <input type="checkbox"/> Envelope <input checked="" type="checkbox"/> Check <input checked="" type="checkbox"/> Remittance Document <input checked="" type="checkbox"/> Correspondence
Requires HIPAA Compliance? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Information Sent Electronically: Yes
Physical Copies Returned: No

Required services include:

- a. Process and image checks, remittance documents, envelope and any correspondence received,
- b. Conform to the Federal privacy requirements under the Health Insurance Portability and Accountability Act (HIPAA), for applicable lockboxes,
- c. Provide online access to images within 24 hours,
- d. Capture details from the remittance document either electronically or manually,
- e. Provide online reporting and download of transaction detail;
- f. Provide online exception item review and correction;
- g. Provide check redeposit services,
- h. Wire collected funds to the State's Primary Deposit Bank, and
- i. Collateralize any deposits in accordance with HRS §38-3 and/or provide an overnight investment service (sweep) that complies with HRS §36-21.

C. Service Group 3: Electronic Funds Processing (Disbursements)

Department of Labor & Industrial Relations (volume levels included in the pro-forma)

The Department of Labor & Industrial Relations recently mandated that all unemployment recipients receive benefits by direct deposit. DLIR creates a NACHA formatted file and transmits it to the bank for processing. Approximately 24,000 ACH credits are sent monthly for DLIR. The maximum daily disbursement for this program is \$6 million.

State Employee Payroll (volume levels are not included in the pro-forma)

The State pays roughly 70,000 employees of which 87% are enrolled in a quasi-direct deposit process. (A description of the current process is included in Section 2.3 A.4 of this Solicitation.) Employees are paid semi-monthly on the 5th and 20th of every month. The semi-monthly payroll can be up to \$83 million. New employees are required to use direct deposit.

The State is in the early stages of replacing its payroll system, which will include the direct deposit process. When the new system is functional, the State will have the ability to create an ACH file and employ a true direct deposit process. The firm selected to provide Electronic Funds Processing (Service Group 3) will then be used to initiate the ACH credits to employees. We are not able to estimate how long the implementation of the new system will take.

Required services include:

- a. Send ACH credit transactions,
- b. Provide ACH debit blocking services, and
- d. Provide a daylight overdraft limit of at least \$6 million immediate and at least \$89 million when payroll processing begins.

D. Service Group 4: Custody Services

General Fund – Fixed Income Assets

The State is seeking proposals from qualified vendors to provide security custody services for its fixed-income portfolio and its Unclaimed Property Program. The selected firm must have trust powers.

The State has fixed-income assets totaling \$2.2 billion. Due to seasonal liquidity needs, balances fluctuate throughout the year. The portfolio is currently managed internally by the State. Assets consist primarily of U.S. Treasuries and Federal Agency obligations with final maturities of five (5) years or less. In aggregate, there are approximately 124 individual positions owned. Over the last 12 months, there were 114 purchases, no sale transactions and 93 maturities. A recent portfolio holdings list is provided in Exhibit F.

The custody bank will receive trade instructions from the State. The custody bank will have no responsibility for investing or reinvesting these monies except for providing an overnight investment vehicle. The State is NOT interested in securities lending.

Unclaimed Property

The State Unclaimed Property Office collects and holds abandoned and dormant property that has been escheated by banks and other entities. The State holds this property in safekeeping until the assets are returned to the rightful owner(s).

The custodian will be required to receive physical and book entry securities, retrieve book entry and Dividend Reinvestment Plan (DRP) shares, return securities to customers, and receive and report dividends, increments, and stock actions.

Security volume can vary by year; there are roughly 4,910 holdings including 7,404,481 shares of stock. There are about 100 to 200 transactions per year.

Required services include:

- a. Maintain 2 or more accounts in the bank's custody operations (as opposed to simple safekeeping) for cash and individual securities owned by the State and held for the Unclaimed Property Program.
- b. Assign a dedicated day-to-day person to manage the State's custodial accounts.
- c. Segregate all securities and cash from the assets of others. The custodian shall have only the bare custody thereof and securities shall be and remain the sole property of the State. The securities held by the custody bank shall, unless payable to the bearer, be registered in the name of the State, or in the bank's nominee name for the benefit of the State. Securities delivered to the custody bank shall be in due form for transfer or already registered as provided above.
- d. Settle and deliver securities as directed by the State, or through any broker, investment manager or advisor selected by the State.
- e. Accept securities transferred into the Unclaimed Property Program.
- f. Act upon proper instructions from authorized persons received by fax or other acceptable methods by the State to affect the receipt, transfer and delivery of assets.
- g. Create, maintain and retain all records relating to securities held in custody in State accounts to meet the requirements and obligations under generally accepted accounting principles.
- h. Provide an overnight investment sweep for cash balances in the custody accounts. A list of securities permitted for overnight investment is provided in Exhibit G.
- i. Provide on-line reporting of account activity and holdings on a real-time or next day basis.
- j. Provide monthly activity statements and reports including the market value of all portfolio holdings in the State's investment portfolio. (The market value of securities held in the Unclaimed Property Program is not needed.) Provide monthly activity statements and reports for all accounts. The statement cut off should be the last day of the month. Statements must be sent by no later than five (5) business days after the close of each month.

E. Service Group 5: Data Collection Center for Department of Taxation

Act 121, Session Laws of Hawai'i 1995, authorized the Department of Taxation ("DOTAX") to require taxpayers whose liability for a particular tax exceeds \$100,000 per year to pay the taxes through electronic funds transfer ("EFT"). Offerors should refer to Hawai'i Administrative Rules Chapter 18-231, Section 9 for more information (a copy is provided in Exhibit I).

The State's Primary Depository Bank currently subcontracts with a vendor to operate a Data Collection Center ("DCC"). The DCC collects and processes EFT information from taxpayers that adopt the ACH Debit method. The DCC provides the staffing, equipment and office facilities to operate this unit.

Approximately 3,500 taxpayers have adopted the ACH Debit method which requires DCC processing. The amount of transfer tax payments collected annually by the DCC is estimated at \$1.1 billion through 84,000 ACH transactions.

The firm selected to operate the Data Collection Center will be subject to the same laws regarding confidentiality of tax returns and tax return information that apply to employees of the DOTAX, including sections 235-116, 237-34, 237D-13, 238-13, 239-7, 241-6, 244D-13, 245-11, and 251-12, HRS.

Required services include:

- a. Assist DOTAX with preparation of enrollment packets,
- b. Provide sufficient toll-free telephone lines for taxpayers to access the DCC. Provide the telephone number(s) to DOTAX for inclusion in the enrollment packets,
- c. Assist taxpayers in completing enrollment forms.
- d. Provide for data collection activities by touch-tone, telephone, online, etc.,
- e. Ensure that ACH debit instructions are complete as to required information,
- f. Register TXP addendum record requirements with the ACH.
- g. Initiate the payment transfer for timely credit to the taxpayers' accounts,
- h. Provide each payer with acknowledgment of the transaction(s),
- i. Maintain hours of operation to allow all taxpayers (in state as well as out of state) sufficient access time to successfully make timely payments. Service will not be required on State holidays,
- j. Provide production and backup systems that will ensure uninterrupted service during the stated hours of operation, and
- k. Maintain a level of confidentiality of tax returns and tax return information that is consistent with DOTAX employees.

SECTION THREE

EVALUATION CRITERIA

Evaluation criteria and the associated points are listed below. The award for each Service Group will be made to the responsible Offeror whose proposal is determined to be the most advantageous to the State based on the evaluation criteria listed in this section.

- 1) Cost of services
- 2) Operational Requirements
 - a. Understanding the needs and operational requirements of the State
 - b. Location (e.g. branches, operations center, account officers)
 - c. Scope of services offered including degree of automation
 - d. Online services & Capabilities
- 3) Firm Experience
 - a. Experience, resources, and qualifications of institution and assigned staff
 - b. Proposed staffing structure
 - c. Relevant experience managing similar account relationships with public institutions and agency clients
- 4) Financial Structure
 - a. Financial strength of proposing institution
 - b. Adequacy of financial controls and protection against loss
- 5) Transition
 - a. Quality and scope of transition plan
 - b. The value of any new product or service suggestions or other new ideas and enhancements
- 6) Compliance with the requirements of the Solicitation, completeness and quality of proposal

SECTION FOUR

PROPOSAL FORMAT AND CONTENT

4.1 OFFEROR'S AUTHORITY TO SUBMIT AN OFFER

The State will not participate in determinations regarding an Offeror's authority to sell a product or service. If there is a question or doubt regarding an Offeror's right or ability to obtain and sell a product or service, the Offeror shall resolve that question prior to submitting an offer.

4.2 REQUIRED REVIEW

4.2.1 Before submitting a proposal, each Offeror must thoroughly and carefully examine this Solicitation, any attachment, addendum, and other relevant document, to ensure Offeror understands the requirements of the Solicitation. Offeror must also become familiar with State, local and Federal laws, statutes, ordinances, rules, and regulations that may in any manner affect cost, progress, or performance of the work required.

4.2.2 Should Offeror find defects and questionable or objectionable items in the Solicitation, Offeror shall notify the department in writing prior to the deadline for written questions as stated in the Solicitation *Schedule and Significant Dates*, as amended. This will allow the issuance of any necessary corrections and/or amendments to the Solicitation by addendum, and mitigate reliance of a defective solicitation and exposure of proposal(s) upon which award could not be made.

4.3 PROPOSAL PREPARATION COSTS

Any and all costs incurred by the Offeror in preparing or submitting a proposal shall be the Offeror's sole responsibility whether or not any award results from this Solicitation. The State shall not reimburse such costs.

4.4 TAX LIABILITY

4.4.1 Work to be performed under this solicitation is a business activity taxable under HRS Chapter 237, and if applicable, taxable under HRS Chapter 238. Contractor is advised that they are liable for the Hawai'i GET at the current 4.5% for sales made on Oahu, and at the 4% rate for the islands of Hawai'i, Maui, Molokai, and Kauai. If, however, an Offeror is a person exempt by the HRS from paying the GET and therefore not liable for the taxes on this solicitation, Offeror shall state its tax exempt status and cite the HRS chapter or section allowing the exemption.

4.4.2 Federal I.D. Number and Hawai'i General Excise Tax License I.D. Offeror shall submit its current Federal I.D. No. and Hawai'i General Excise Tax License I.D. number in the space provided on Offer Form, page OF-1, thereby attesting that the Offeror is doing business in the State and that Offeror will pay such taxes on all sales made to the State.

4.5 PROPERTY OF STATE

All proposals become the property of the State of Hawai'i.

4.6 CONFIDENTIAL INFORMATION

4.6.1 If an Offeror believes that any portion of a proposal, offer, specification, protest, or correspondence contains information that should be withheld from disclosure as confidential, then the Offeror shall inform the Solicitation Manager named on the cover of this Solicitation in writing and provided with justification to support the Offeror's confidentiality claim. Price is not considered confidential and will not be withheld.

4.6.2 An Offeror shall request in writing nondisclosure of information such as designated trade secrets or other proprietary data Offeror considers to be confidential. Such requests for nondisclosure shall accompany the proposal, be clearly marked, and shall be readily separable from the proposal in order to facilitate eventual public inspection of the non-confidential portion of the proposal.

4.7 EXCEPTIONS

Should Offeror take any exception to the terms, conditions, specifications, or other requirements listed in the Solicitation, Offeror shall list such exceptions in this section of the Offeror's proposal. Offeror shall reference the Solicitation section where exception is taken, a description of the exception taken, and the proposed alternative, if any. The State reserves the right to accept or not accept any exceptions.

No exceptions to statutory requirements of the AG General Conditions shall be considered.

4.8 PROPOSAL OBJECTIVES

4.8.1 One of the objectives of this Solicitation is to make proposal preparation easy and efficient, while giving Offerors ample opportunity to highlight their proposals. The evaluation process must also be manageable and effective.

4.8.2 Proposals shall be prepared in a straightforward and concise manner, in a format that is reasonably consistent and appropriate for the purpose. Emphasis will be on completeness and clarity and content.

4.8.3 When an Offeror submits a proposal, it shall be considered a complete plan for accomplishing the tasks described in this Solicitation and any supplemental tasks the Offeror has identified as necessary to successfully complete the obligations outlined in this Solicitation.

4.9 PROPOSAL FORMS

4.9.1 To be considered responsive, the Offeror's proposal shall respond to and include all items specified in this Solicitation and any subsequent addendum. Any proposal offering any other set of terms and conditions that conflict with the terms

and conditions providing in the Solicitation or in any subsequent addendum may be rejected without further consideration.

4.9.2. Notice of Intention to Submit a Proposal. Offerors shall complete the Exhibit A: The NOTICE OF INTENTION TO SUBMIT A PROPOSAL must be received by the Solicitation Manager, Judy Dang, by e-mail no later than 4:00 p.m., September 26, 2014.

4.9.3. Offer Form, Page OF-1. Offer Form, OF-1 is required to be completed using Offeror's exact legal name as registered with the Department of Commerce and Consumer Affairs, if applicable, in the appropriate space on Offer Form, OF-1 (SECTION SEVEN, Exhibit B). Failure to do so may delay proper execution of the Contract.

The Offeror's authorized signature on the Offer Form, OF-1 shall be an original signature in ink, which shall be required before an award, if any, can be made. The submission of the proposal shall indicate Offeror's intent to be bound.

4.10 PROPOSAL CONTENTS

Proposals must:

4.10.1 Include a transmittal letter to confirm that the Offeror shall comply with the requirements, provisions, terms, and conditions specified in this Solicitation. The Offeror must state the Service Groups(s) it is proposing to provide in the transmittal letter.

4.10.2 Include a signed Offer Form OF-1 with the complete name and address of Offeror's firm and the name, mailing address, telephone number, and fax number of the person the State should contact regarding the Offeror's proposal.

4.10.3 If subcontractor(s) will be used, append a statement to the transmittal letter from each subcontractor, signed by an individual authorized to legally bind the subcontractor and stating:

- a. The general scope of work to be performed by the subcontractor;
- b. The subcontractor's willingness to perform for the indicated.

4.10.4 Provide all of the information requested in this Solicitation in the order specified.

4.10.5 Be organized into sections, following the exact format using all titles, subtitles, and numbering, with tabs separating each section described below. Each section must be addressed individually, each response must be clearly numbered with the full question listed and pages must be sequentially numbered.

- a. Transmittal Letter
- b. Form OF-1
- c. Responses to Section Five: Questions Regarding Vendor Qualifications

d. Exceptions.

4.11 MODIFICATION PRIOR TO SUBMITTAL DEADLINE OR WITHDRAWAL OF OFFERS

4.11.1 The Offeror may modify or withdraw a proposal before the proposal due date and time.

4.11.2 Any change, addition, deletion of attachment(s) or data entry of an Offer may be made prior to the deadline for submittal of offers.

SECTION FIVE

QUESTIONS REGARDING VENDOR QUALIFICATIONS

A. QUALIFICATIONS AND EXPERIENCE (All Offerors must respond to this section.)

1. Provide a general overview and brief history of your organization, including parent and/or subsidiary companies and the number of employees.
2. Provide the address of the office location(s) that will service the State’s account for each Service Group you are proposing to provide.
3. Describe the experience of the financial institution in providing similar services to other governmental entities.
4. Complete the following table with current credit ratings by Standard & Poor’s Rating Services and Moody’s Investor Services. If the Offeror is not rated by these rating organizations, provide other evidence of the institution’s financial strength.

	Standard & Poor’s Rating	Moody’s Investor Services
Firm / Bank		
Short-Term Unsecured Senior Debt		
Long-Term Unsecured Senior Debt		
Bank Holding Company		
Short-Term Unsecured Senior Debt		
Long-Term Unsecured Senior Debt		

5. Include an **electronic copy** or link to an online copy of the most recent audited annual financial statements.

B. PERSONNEL (All Offerors must respond to this section.)

1. Provide the name, title, address, phone number, fax number and email address of the primary contact person(s) and key members of the project team assigned to this account.
2. Name the individuals who will work with the State on a day-to-day basis. Please name the individual responsible for each proposed Service Group. Information should include:
 - a. Biographical information
 - b. Experience working with other governmental entities
 - c. Proposed role with regard to the State’s account
 - d. Number of years of experience in this field
 - e. Number of years with your firm
 - f. Please provide these individuals’ normal business hours in HST.
3. Describe your firm’s policy on changing the primary contact person on an account.

4. How will the Offeror support the day-to-day service requirements of the State account, with a specific customer service representative or a customer service department?
 - a. Describe the responsibilities of the customer service personnel, including the chain of command for problem resolutions.
 - b. What are the hours of operation of each customer service unit involved in supporting the proposed services? Provide information for each Service Group you are proposing to provide.
 - c. If the primary day-to-day person is not available from 7:45 a.m. to 4:30 p.m. HST, who will be the backup individual or team to resolve issues?
 - d. If an error is discovered by the State, how would you propose to resolve it (i.e. who should the State contact first, etc.)?
5. After the initial transition of services to your firm, how frequently will the relationship manager attend on-site meetings with State staff?
6. IT Resources: During what hours (HST) is technical support available for each Service Group you are proposing to provide?

C. SERVICE GROUP 1: GENERAL BANKING

(Only institutions proposing to provide Service Group 1 should respond to this section.)

1. Deposit Processing
 - a. Please complete the following table with the number of branches the Offeror has on each island.

Island	# of Branches
Oahu	
Kauai	
Molokai	
Lana'i	
Maui	
Hawai'i	

- b. Please provide addresses for all branch locations in the State of Hawai'i.
- c. A list of all collection sites from which the State will be transporting deposits by armored car carrier on Oahu is provided in Exhibit E. Provide the distance to your closest deposit processing facility from each of these locations.
- d. For deposits collected and transported by armored car, what bank location(s) do you propose for the State's armored courier to deposit funds for processing on **each island**?
- e. Can a unique deposit identification number be used on deposit tickets to identify the depositing entity for reconciliation purposes?
- f. What is the ledger cutoff time for deposits for each branch in the State of Hawai'i?
- g. What is the ledger cutoff time for deposits for the vault deposit location, if applicable?

- h. What is the ledger cutoff time for deposits for items process with Remote Deposit Capture?
 - i. What type of deposit bags does the bank allow/require? Will the bank provides these bags at no cost to the State?
 - j. What is the limit, if any, on the number of deposit tickets that can be included in one deposit bag?
 - k. Does the bank accept loose and/or rolled coin for deposit at branch locations?
 - l. Do you offer the ability to deposit currency by remote cash capture into “cash safes”? What fees or costs would apply?
 - m. How are deposits credited? Are items immediately verified? If provisional credit is given, when does verification take place? If the bank corrects a deposit, how will the State be informed of this change (i.e. phone call, online notification, fax, e-mail)? Is there a de minimis amount below which you write off deposit adjustments; if so, what is it?
 - n. Are deliveries of change and currency orders available via the State’s courier service? If so, explain timelines and procedures for placing change and currency order requests. If not, please explain procedures for acquiring change and currency.
2. Branch Services
- a. If drawn on your bank, will the bank cash the State’s checks without charge to either the State or the check payee? If not, what is the charge? If a check cashing agreement is required please provide a copy.
3. Employee Banking
- a. Would the bank be interested in offering a package of banking services, education programs and/or special rates to State employees? Please describe.
 - b. Would the employee be required to have their pay deposited or sent to your bank for deposit to obtain these services/rates?
 - c. Would your bank be willing to open checking accounts for any State employee?
4. Remote Deposit Capture (“RDC”)
- a. Describe the bank’s ability to process checks by RDC.
 - b. What equipment would the bank recommend to the State? Is the bank willing to provide any RDC machines at no cost?
 - c. Does the firm's RDC technology use Intelligent Character Recognition to identify check amounts?
 - d. Describe how a single RDC terminal is used to make deposits into multiple bank accounts.
 - e. Is there a limit on the number of checks that can be contained in a single deposit?
 - f. Can checks be automatically endorsed when using the bank’s RDC service? Is the automatic endorsement an electronic image or printed on the check?
 - g. Can the bank’s software process both ACH and Image Replacement Documents (IRD) on the same equipment? How does the bank’s software determine the optimal clearing mechanism?
5. Returned Item Processing
- a. Can returned checks be automatically redeposited? If so, how many times and at what cost?
 - b. Can the bank provide a detailed return item transmission to the State? Can this report identify the payer’s name, depositing location, deposit date, and the type of item being returned?

- c. Can the bank provide online access to electronic images (back and front) of returned items to the State? How soon after an item is returned can these images be accessed?
 - d. Does the bank offer Represented Check Entries (“RCK”) services?
6. Availability of Deposits
- a. Does the bank give immediate availability for on-us items?
 - b. Does the bank calculate availability by item or formula?
 - c. Provide a copy of the availability schedule the bank proposes to use for the State, including branch deposit, vault, and RDC.
7. Check Disbursements / Positive Pay
- a. Does the bank offer Positive Pay?
 - b. Does the bank offer Payee Positive Pay?
 - c. Is the bank able to process payee positive pay when the check has payee names on one to three lines? (This occurs when there are two payees on the check.)
 - d. Does the bank offer Teller Positive Pay? If so, how frequently is check issuance information updated and available to tellers?
 - e. What is the deadline for the transmission of check issuance files to the bank?
 - f. What controls are in place to protect against lost files and duplications of transmissions? If duplicate files are sent is there a penalty or potential issue?
 - g. How will the State be notified of exception items? Can an e-mail notification be sent to specific users alerting them that there is an exception item to review?
 - h. Will an image of the exception item be available for viewing in the e-mail or would the user be required to log-into the bank’s website?
 - i. What time will the State receive the information on exception items? How much time will the State have to review discrepancies and notify the bank to accept or reject?
 - j. If the State is unable to provide a “pay” or “no pay” decision before the deadline, what happens? Does the bank offer a “do not pay” default?
 - k. Can stale-dated checks be reported as exception items?
 - l. Can individual accounts have different stale-date periods (i.e. the State would like stale dated items over 180 days to be reported on some accounts and 365 days on other accounts,)?
 - m. In addition to checks with 180 or 365 day stale dates, the State Comptrollers account has a void date printed on the check. This void date on the Comptroller checks is based on the fiscal year and can run a maximum period just shy of 2 years. Can stale dated exceptions be identified by a particular date versus the number of days from the issue day to the pay date (i.e. all checks issued before January 1, 20XX should be considered stale dated items)?
 - n. Is Positive Pay required for all demand deposit accounts, even on accounts with no check writing functionality?
 - o. Can accounts be designated as “post no checks” to prevent potential fraud?
8. Stop Payments
- a. Can the bank place stop payments by batch to accommodate the State’s annual escheatment process?
 - b. Are stop payment requests effective immediately? If not, how long does it take for a stop payment request to become effective?
 - c. Will the system automatically verify if a check has been paid before processing the stop payment request?

- d. Can permanent stop payments be placed? Would these transactions incur a stop payment fee? If yes, what is the fee?
9. ACH Processing
- a. What are the transmission deadlines for same day, one day and two day ACH files? When are funds debited from the State's accounts?
 - b. Discuss the bank's methodology for determining debit and credit exposure limits.
 - c. What would happen to a file if the State exceeded its daily exposure limit?
 - d. Does the bank accept both debits and credits on the same file? If so, discuss any additional requirements.
 - e. Can transactions be added online for future processing dates? What is the bank's maximum retention period for future dated transactions?
 - f. What controls are in place to protect against lost files and duplicate transmissions?
 - g. Does the bank provide automatic file receipt acknowledgements? If so, how is the acknowledgement transmitted?
 - h. Is the State required to submit a control total for each ACH batch? How would the State communicate ACH control totals to the bank (i.e. phone, online, e-mail)?
 - i. What type of reporting is available for ACH returns? Is it available electronically?
 - j. Describe the financial institution's ability to block unauthorized ACH debits?
 - k. With ACH debit blocking, does the bank notify the State of attempts to debit funds that have been automatically rejected?
 - l. Does the bank offer ACH Positive Pay (ability to make pay / no pay decisions on unidentified ACH transactions)?
 - m. Does the bank offer Universal Payment Identification Codes (ability to mask visible account numbers to reduce the risk of unauthorized direct debits)?
 - n. What detail about incoming ACH transactions can be viewed online (i.e. CCD and CTX). How can the State gain access to this Addenda information?
10. Wire Processing
- a. Describe the process of initiating wire transfers (online, by phone, other).
 - b. What is the cutoff time for same day wire transfers?
 - c. If wire transfers can be initiated online, describe the system's security features. Can varying degrees of authorization be set (i.e. multiple authorizers, maximum dollar amounts, etc.)?
 - d. Discuss the process the State must use to set up repetitive wire transfers with the bank, including communication methods (e.g., written request, fax, PC, Internet).
 - e. Describe the process of initiating USD international wires and foreign currency international wires. Given the limited volume, can the State initiate foreign currency international wires "manually".
11. Intra-Bank Account Transfers
- a. Describe the process of initiating an intra-bank account transfer.
 - b. What is the cut-off time for same-day intra-bank account transfers?

12. Statements & Documents

- a. How soon after the cut-off date are the following items ready?

	Online	By Mail
Bank Statements		
CD-ROMs	n/a	
Partial Reconciliation Information		
Full Reconciliation Information		
Account Analysis Statement		

- b. Describe the process of locating a cancelled check on-line. What type of indexing capabilities is available within the bank's system to identify the desired check image?
- c. Can historical images be sent by transmission to the State for archival purposes (i.e. a full fiscal year)? If so, please provide applicable pricing.

13. Online Reporting System

- a. Describe the reports that will be available to the State through the bank's balance reporting system. Include sample reports.
- b. What transaction types are reported in previous day reporting? What previous day reports are available? Is complete wire and ACH addenda information included in prior day reports? Provide samples of previous day balance and transaction reports.
- c. What time is previous day information available?
- d. What transaction types are reported in current day reporting? What current day reports are available? Provide samples of current day balance and transaction reports.
- e. Does the bank's deposit reporting system report electronic transactions (e.g. ACH, wire) as well as paper documents?
- f. Are there any limits on the number of State users that could have access to the bank's online website? (Approximately 80 employees currently have online access to the current system.) Are there extra fees for additional users?
- g. What levels of authorization (i.e. accounts viewed, transaction capabilities, etc.) can be permitted or turned off for individual users?
- h. Is the State able to designate administrators? What capabilities and functionalities do administrators have (i.e. adding new users, removing users, setting authorization levels, etc.)?
- i. In what file formats can account activity be downloaded? Can activity be downloaded into Excel?
- j. Can reports be customized by users within the bank's online platform? Can these customized reports be saved? Can the templates be shared with other users?
- k. Can electronic reports be scheduled to be generated automatically and e-mailed to designated users?
- l. Describe any mobile applications you offer for smartphones and tablets. What banking services can be completed using these applications?
- m. Describe any recent or upcoming major upgrades to your online reporting system.

14. Reconciliation Services

- a. Does the bank offer full and partial Account Reconciliation Program (ARP) services? Please discuss options.
- b. What report options are available for full and partial reconciliation? Provide sample reports.
- c. Describe the bank's deposit reconciliation services. How are daily deposits reported?
- d. Are the reconciliations systems integrated for check, ACH and wire transfer? If so, describe. If not, discuss any plans to do so.
- e. Please describe how reconciliation data can be transmitted to the State for use in automated or partially automated reconciliation?

15. Earnings Credit Rates

- a. Does the State have the option of paying the bank by either "hard dollars" or compensating balances ("soft dollars")? Is the pricing the same for either option? If not, what is the difference?
- b. How is your bank's earnings credit rate determined, adjusted, and applied? Please include in the explanation the impact of the bank's reserve requirement, the formula for converting service charges to balance requirements.
- c. Does an FDIC assessment, deposit based fee, or similar fee apply to the proposed deposit option? If so, what is the current charge for an entire year on a \$1,000,000 balance? How is this charge computed? Is this charge assessed on ledger or collected balances?
- d. Provide investment return history for the 36 month period from July 2011 through June 2014. Please show the yield for each month.
- e. What is the bank's current earnings credit rate? Are you willing to lock in a "floor" earnings credit rate? If so, how long?
- f. Can "excess" earnings credit be carried forward to cover charges in the following month? Is there a limit on how far forward excess earnings credits can be carried?

16. Overnight Investment Option or Interest Bearing Bank Deposit

- a. What short-term investment vehicle(s) or interest bearing account does the bank propose to use for the overnight investment or sweep of the State's demand deposit accounts?
- b. Does a reserve requirement apply to the proposed option?
- c. Does an FDIC assessment, deposit based fee, or similar fee apply to the proposed deposit option? If so, what is the current charge for an entire year on a \$1,000,000 balance? How is this charge computed? Is this charge assessed on ledger or collected balances?
- d. Provide investment return history for the 36 month period from July 2011 through June 2014 for each option proposed. Please show the yield for each month.
- e. If a sweep is proposed, what time of day is the sweep deadline? Is it end-of-day or next-day sweep?
- f. What fee (if any) is charged to sweep funds into the proposed investment vehicle(s)?
- g. If the bank is proposing a money market mutual fund, provide a copy of the current prospectus and, if multiple classes are offered, identify the proposed class of shares, including ticker symbol or CUSIP.

17. Account Analysis Statements

- a. Please provide a sample analysis statement.

- b. Can Association for Financial Professionals (“AFP”) Service Codes be included on the analysis statement?
 - c. Are account analysis statements available online? How many prior months are available? Can the account analysis details be downloaded into Microsoft Excel?
18. Collateral Requirements (Deposits must be collateralized in accordance with Hawai'i Revised Statute §38-3.)
- a. What type of collateral do you propose?
 - b. Does the bank have any limits on the amount of deposits that the State could maintain with the bank?
19. End-of-Day Overdrafts
- a. Does the bank return items if an overdraft exists? If yes, how flexible is this bank policy?
 - b. What are the fees and interest charges associated with overdrafts? How are these charges calculated?
 - c. Is there a fee per check or per occurrence when there is an overdraft? If so, what is it?
 - d. Is there a daily cap on fees? If so, what is it?
20. Daylight Overdrafts
- a. Describe the bank's policies concerning daylight balance overdrafts. Indicate whether this is applied to each individual account or across all accounts of a client relationship.
 - b. Is wire transfer processing stopped when the intra-day limit is reached? Explain procedures.
21. Tax Services
- a. Does the bank offer a service to facilitate the payment of payroll and other taxes electronically? Please describe the service and how payments would be made.
22. Cigarette Tax Stamp Inventory & Distribution
- a. Please describe in detail the firm's ability to meet each of the requirements responsibilities of the Cigarette Tax Stamp Inventory & Distribution as described in Exhibit H.
 - b. Provide a list of the branch (or other) locations from which you are proposing to distribute cigarette tax stamps.

D. SERVICE GROUP 2: Lockbox Services

(Only institutions proposing to provide Service Group 2 should respond to this section.)

1. Describe the bank's experience providing lockbox services to governmental entities. How many of these clients are based in Hawai'i?
2. What type(s) of lockbox solution would the firm recommend for each of the State's lockboxes (wholesale, retail, other)?
3. Where are your lockbox locations? If you are not proposing a Hawai'i-based processing location, can a P.O. Box with a Hawai'i address be used for remitting lockbox items? If so, is there an additional cost? How will mail be directed to the bank's processing facility? Would there be additional mail float time?

4. What was the average monthly volume for the lockbox operation that will process the State's payments during the last twelve months (items, dollars, number of lockboxes and number of customers)?
5. What is the ledger cut-off time for lockbox deposits (Include weekends and holidays)? What is the latest mail pickup to be included in the current day's deposit? Will you process and deposit all of the State's payments on the same ledger day as received? If not, when are these items deposited?
6. Describe the lockbox department's processing workflow. Include a schematic or flow chart of the processing procedures.
7. Can checks be converted to ACH?
8. Can returned checks be automatically redeposited? If so, how many times and at what cost?
9. Does the bank offer Represented Check Entries ("RCK")?
10. How does the firm's lockbox processes consider the requirements imposed by HIPAA?
11. In what formats (e.g., BAI, flat file) is the daily lockbox deposit activity detail file available? How will this information be transmitted (website, file transfer, etc.)? What time will this information be available?
12. Describe the bank's procedures for processing exception items. Can the State review exception items online? Are images posted on a same-day basis? Please describe and show a sample screen image of this feature.
13. Describe the bank's procedure for processing payments from "bill payer" systems that do not include standard remittance documentation.
14. Does the bank offer "e-lockbox" services to convert payments from bill payer systems to electronic payments?
15. Describe the bank's online reporting system for lockbox items. Can you provide images of all checks, remittance documents and correspondence? If so, what formats (e.g., online, PC bank software, CD-ROM) are available. How soon after the images are captured are they available for online viewing? How long are online images accessible?
16. For a given day's lockbox activity, at what time of day (HST) can you report the total amount that will be credited to the State's account?
17. Availability of Deposits
 - a. How does the bank determine and calculate availability of deposited items?
 - b. Does the bank give immediate availability for on-us items?
 - c. Provide a copy of the availability schedules the bank proposes to use for the State's lockbox items.

E. SERVICE GROUP 3: Electronic Funds Processing (Disbursements)

1. What are the transmission deadlines for same day, one day and two day ACH files?
2. Discuss the bank's methodology for determining debit and credit exposure limits.
3. What would happen to a file if the State exceeded its daily exposure limit?
4. Does the bank accept both debits and credits on the same file? If so, discuss any additional requirements.
5. Can transactions be added online for future processing dates? What is the bank's maximum retention period for future dated transactions?
6. What controls are in place to protect against lost files and duplicate transmissions?
7. Does the bank provide automatic file receipt acknowledgements? If so, how is the acknowledgement transmitted?
8. Is the State required to submit a control total for each ACH batch? How would the State communicate ACH control totals to the bank (i.e. phone, online, e-mail)?
9. What type of reporting is available for ACH returns?
10. Describe the financial institution's ability to block unauthorized ACH debits?
11. With ACH debit blocking, does the bank notify the State of attempts to debit funds that have been automatically rejected?
12. Does the bank offer ACH Positive Pay (ability to make pay / no pay decisions on unidentified ACH transactions)?
13. Does the bank offer Universal Payment Identification Codes (ability to mask visible account numbers to reduce the risk of unauthorized direct debits)?
14. What detail about incoming ACH transactions can be viewed online (i.e. CCD and CTX). How can the State gain access to this Addenda information?

F. SERVICE GROUP 4: Custody Services

(Only institutions proposing to provide Service Group 4 should respond to this section.)

1. List the total number and market value of *institutional* custody accounts as of June 30 for the following years: 2012, 2013 and 2014.
2. Describe your firm's history and experience of providing custody services for governmental entities, including a list of any States for which you provide Unclaimed Property custody services.
3. Book entry trade processing
 - a. Provide the cut off times for notification of a Fed Book Entry and DTC transaction settling the same day.

- b. Are security transactions settled on an actual or contractual basis? If trades are settled on an actual basis, how will you compensate the State for fail float?
4. Describe your procedures for handling physical securities.
5. The State may receive a limited amount of international equity securities. Explain your international custody services, including sub-custodial arrangements.
6. Reporting
 - a. Describe the frequency and format of custody reports that the bank would provide to the State. Include sample reports.
 - b. Does the bank provide information to clients through an on-line inquiry/reporting service? Describe the information available (e.g. pending trades, asset list by account, transaction history).
 - c. How many days after month-end is reporting available?
 - d. What pricing source does the bank use for market valuation of securities?
 - e. Can information be exported to Microsoft Excel? Please describe.
 - f. What is the lag time between trade execution, availability of on-line transaction data, and the settlement of the transaction to the bank's reporting system?
7. Overnight Investment Sweep
 - a. What short-term investment vehicle(s) does the bank propose to use for the overnight sweep of liquid funds?
 - b. Does a reserve requirement apply for the proposed overnight sweep option?
 - c. What time of day is the cash sweep deadline? Is it end-of-day or next-day sweep?
 - d. Provide return history for the thirty-six month period from July 2011 through June 2014. Please show the yield for each month.
 - e. What fee (if any) is charged to sweep funds into the proposed investment vehicle(s)?
 - f. Is the sweep option automated? If not, what process does the bank use to ensure cash balances are invested?
 - g. If the bank is proposing a money market mutual fund, provide a copy of the current prospectus and, if multiple classes are offered, identify the proposed class of shares, including ticker symbol or CUSIP.

G. SERVICE GROUP 5: Data Collection Center for Department of Taxation

(Only institutions proposing to provide Service Group 5 should respond to this section.)

1. Please describe the firm's ability to meet the Requirements and Responsibilities of the Data Collection Center (DCC), items 3.1 through 3.12 as described Exhibit I.
2. From what location do you propose to operate the DCC?
3. What times (HST) would the DCC be operational to process calls?

H. CONTROL (All Offerors must respond to this section.)

1. Describe the bank's security environment. Specifically cover the physical security and software safeguards that you have put in place to control the systems and client account information related to the Service Groups you are proposing to provide? Also, describe

the bank's security procedures for its information reporting system, both for access and information protection (e.g., RSA tokens, secure certification, etc.)?

2. List the types and amounts of insurance and bonding carried.
3. Describe the bank's procedures for complying with the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) regulations. When was the last time an independent test of the bank's OFAC program was conducted by internal audit, outside auditors, consultants, or other qualified independent party?
4. Include a copy of the bank's most recent reports issued in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 16 (formerly known as the Statement of Auditing Standards-70 (SAS70)) for any processes or systems relevant to the Service Groups under this Solicitation.

I. IMPLEMENTATION/CONVERSION *(All Offerors must respond to this section.)*

1. Provide a detailed conversion plan for transitioning each of the proposed Service Groups to your financial institution. Please include the estimated length of time for the transition and the amount of effort required by the State's staff.
2. Who will be responsible for coordinating the transition for each of the proposed services? If a conversion team is used, how will the State's account be transitioned to the ongoing client service team?
3. Indicate the bank's plans for initial and ongoing education and training of State employees in the use of your firm's systems.
4. IT Resources: Will the bank provide dedicated IT liaison(s) to work on set-up, file transfer, testing and troubleshooting / issue resolution.

J. NEW SERVICES & IDEAS *(All Offerors must respond to this section.)*

1. Describe any new services or ideas that will enhance the State's use of banking services, cut costs or improve efficiency.
2. Please provide any additional information that your bank believes to be pertinent but not specifically requested elsewhere in the Solicitation.

K. REFERENCES *(All Offerors must respond to this section.)*

1. Provide at least five references (large government entities, if possible), including client name, contact person, address, phone number, services provided, and the length of time your bank has worked for the entity.

If the bank is proposing for more than one Service Group, include a minimum of two references for each Service Group.

2. Please include one reference for a new client that implemented your services in the past 18 months.

L. SAMPLE CONTRACT (All Offerors must respond to this section.)

1. Provide a sample of the proposed contract language for your bank’s services. Also provide samples of all other documents which will need to be signed/entered into related to the provision of the services requested in this Solicitation including any documents referenced or incorporated into the contracts/agreements.

M. PRICING AND ACCOUNT ANALYSIS (All Offerors must respond to this section.)

It is the State’s intent to award the contract(s) for an initial 5-year period with the option to renew it for additional 1-year periods. Offerors must agree to fix contract fees for the first three years. If the Contractor intends to revise its fee schedule after the initial 3 year period, it must give written notice to the State 90 days in advance of any fee change. Fees may be changed only on the contract anniversary date. These fees are subject to negotiation and approval by the State and may not exceed the annual consumer price index-urban (CPI-U) for the most recently available 12 month trailing period.

1. For how long will the bank guarantee the proposed fees for each Service Group? Please complete the following table:

	Fee Guaranteed at Proposed Pricing For How Many Years?
Service Group 1: Primary Depository Bank	
Service Group 2: Lockbox Services	
Service Group 3: Electronic Funds Processing	
Service Group 4: Custody Services	
Service Group 5: Data Collection Center for Department of Taxation	

2. If the State chooses to use compensating balances, are there any charges that could not be paid in this way?
3. Provide a complete fee schedule for all of the Service Groups the Offeror is proposing to provide. **Fees related to all services described in the proposal must be listed – even if the service is not specifically referenced on the pro formas.** Also, include any one-time or set-up charges, research fees, minimum fees and all other fees that will be charged.

4.1 Service Group 1: Primary Depository Bank

- a. Complete the schedule included in Exhibit J, using Association of Finance Professionals (AFP) Service Codes, where applicable.

- b. Cigarette Tax Stamp Inventory & Distribution

4.2 Service Group 2: Lockbox Services

- a. Complete the schedule included in Exhibit K, using Association of Finance Professionals (AFP) Service Codes, where applicable.

4.3 Service Group 3: Electronic Funds Processing (Disbursements)

- a. Complete the schedule included in Exhibit L, using Association of Finance Professionals (AFP) Service Codes, where applicable.

4.4 Service Group 4: Custody Services

- a. Complete the schedule included in Exhibit M.
- b. **General Fund Portfolio (Fixed Income Only)**
 - i. What fee (in basis points) would be charged on total assets in the State’s General Fund Portfolio? Is the fee applied to book or market value?
 - ii. What fee will the bank access per individual security transaction? If a different fee applies for different types of securities, please provide detailed pricing information.
 - iii. What is the fee per security holding? If a different fee applies for different types of securities, please provide detailed pricing information.
 - iv. What is the monthly or annual fee (per portfolio)?
- c. **Unclaimed Property**
 - i. What fee (in basis points) would be charged on total assets in the State’s Unclaimed Property? Is the fee applied to book or market value? If a different fee applies for different types of securities, please provide detailed pricing information. (Assume the total book value is between \$10 million and \$20 million.
 - ii. List the fee for each of the following transaction types:

Transaction Type	Per Unit Price
Securities Received	
Securities Delivered Out	
Security Sale Transactions	
Interest Received	
Dividend Received	
Long Term Capital Gain Received	
Redeemed/Full Call	
Foreign Dividend Received	
Foreign Tax Paid	

- iii. What is the fee per security holding? If a different fee applies for different types of securities, please provide detailed pricing information.
 - iv. What is the monthly or annual fee (per portfolio)?
- d. What does the bank charge for online reporting? Specify whether the fee is per relationship or per portfolio?

4.5 Service Group 5: Data Collection Center for Department of Taxation

- a. Complete the schedule included in Exhibit N.
5. Are you willing to offer any transition or retention incentives?
6. Are there any additional price breaks or incentives if one or more Service Groups is awarded to your firm?

SECTION SIX

CONTRACTOR SELECTION AND CONTRACT AWARD

6.1 EVALUATION OF PROPOSALS

The Solicitation Manager, or an evaluation committee of at least three (3) qualified State employees selected by the Solicitation Manager, shall evaluate proposals. The evaluation will be based solely on the evaluation criteria set out in Section Four of this Solicitation.

Prior to holding any discussion/interviews, a priority list shall be generated consisting of offers determined to be acceptable or potentially acceptable. However, proposals may be accepted without such discussions.

If numerous acceptable and potentially acceptable proposals are submitted, the evaluation committee may limit the priority list to the three highest ranked, responsible Offerors for each Service Group.

6.2 AWARD OF CONTRACT

Method of Award. Award will be made for each Service Group to the responsible Offeror whose proposal is determined to be the most advantageous to the State based on the evaluation criteria set forth in the Solicitation.

6.3 RESPONSIBILITY OF OFFERORS

Offeror is advised that in order to be awarded a contract under this solicitation, Offeror will be required, to be compliant with all laws governing entities doing business in the State including the following chapters and pursuant to HRS §103D-310(c):

1. Chapter 237, General Excise Tax Law;
2. Chapter 383, Hawai'i Employment Security Law;
3. Chapter 386, Worker's Compensation Law;
4. Chapter 392, Temporary Disability Insurance;
5. Chapter 393, Prepaid Health Care Act; and
6. §103D-310(c), Certificate of Good Standing (COGS) for entities doing business in the State.

The State will verify compliance on Hawai'i Compliance Express (HCE).

Hawai'i Compliance Express. The HCE is an electronic system that allows vendors/contractors/service providers doing business with the State to quickly and easily demonstrate compliance with applicable laws. It is an online system that replaces the necessity of obtaining paper compliance certificates from the Department of Taxation, Federal Internal Revenue Service; Department of Labor and Industrial Relations, and Department of Commerce and Consumer Affairs.

Vendors/contractors/service providers should register with (HCE) prior to submitting an offer at <https://vendors.ehawaii.gov>. The annual registration fee is \$12.00 and the 'Certificate of Vendor Compliance' is accepted for the execution of contract and final payment.

Timely Registration on HCE. Vendors/contractors/service providers are advised to register on HCE soon as possible. If a vendor/contractor/service provider is not compliant on HCE at the time of award, an Offeror will not receive the award.

6.4 PROPOSAL AS PART OF THE CONTRACT

This Solicitation and all or part of the successful proposal may be incorporated into the contract.

6.5 NEGOTIATIONS

The successful Offeror may be requested to enter into negotiations to reduce the price(s) of any contract awarded as a consequence of this SBS.

6.6 APPROVALS

Any agreement arising out of this offer may be subject to the approval of the Department of the Attorney General, and to all further approvals, including the approval of the Governor, as required by statute, regulation, rule, order, or other directive.

6.7 CONTRACT EXECUTION

Successful Offeror receiving award shall enter into a formal written contract in the form as in Exhibit C. No performance or payment bond is required for this contract. The State of Hawai'i is not liable for any work, contract, costs, expenses, loss of profits, or any damages whatsoever incurred by the Contractor prior to the official starting date of the contract.

If an option to extend is mutually agreed upon, the Contractor shall be required to execute a supplement to the contract for the additional extension period.

6.8 TERM OF CONTRACT

The contract shall be for an initial period of 5 years and is intended to begin approximately on July 1, 2015, and end on June 30, 2020.

Unless terminated, the Contractor and the State may extend the term of the contract for additional one year periods or portions thereof without the necessity of re-soliciting, upon mutual agreement in writing at least sixty (60) days prior to the expiration of the contract.

Proposers must agree to fix contract fees for at least the first three years. If the Contractor intends to revise its fee schedule after the initial period, it must give written notice to the Contract Administrator at least 90 days in advance of any fee change. Fees may be changed only on the contract anniversary date. These fees are subject to negotiation and approval by the State and may not exceed the annual consumer price index-urban (CPI-U) for the most recently available 12 month trailing period.

When interests of the State so require, the State may terminate the contract for convenience by providing 60 days prior written notice to the Contractor.

6.9 CONTRACT ADMINISTRATOR

For the purposes of this contract, Judy Dang, Funds Custody Manager, (808) 586-3119, or authorized representative, is designated as the Contract Administrator

6.10 INSURANCE

6.10.1 Prior to the contract start date, the Contractor shall procure at its sole expense and maintain insurance coverage acceptable to the State in full force and effect throughout the term of the Contract. The Offeror shall provide proof of insurance for the following minimum insurance coverage(s) and limit(s) in order to be awarded a contract. The type of insurance coverage is listed as follows:

1. Commercial General Liability Insurance

Commercial general liability insurance coverage against claims for bodily injury and property damage arising out of all operations, activities or contractual liability by the Contractor, its employees and subcontractors during the term of the Contract. This insurance shall include the following coverage and limits specified or required by any applicable law: bodily injury and property damage coverage with a minimum of \$1,000,000 per occurrence; personal and advertising injury of \$1,000,000 per occurrence; broadcasters' liability insurance of \$1,000,000 per occurrence; and with an aggregated limit of \$2,000,000. The commercial general liability policy shall be written on an occurrence basis and the policy shall provide legal defense costs and expenses in addition to the limits of liability stated above. The Contractor shall be responsible for payment of any deductible applicable to this policy.

2. Automobile Liability Insurance

Automobile liability insurance covering owned, non-owned, leased, and hired vehicles with a minimum of \$1,000,000 for bodily injury for each person, \$1,000,000 for bodily injury for each accident, and \$1,000,000 for property damage for each accident.

3. Appropriate levels of per occurrence insurance coverage for workers' compensation and any other insurance coverage required by Federal or State law.

4. Professional Liability Insurance (Error & Omissions)

Professional Liability Insurance (E&O) that covers all activities under the Contract with minimum limits of liability of \$1,000,000 per occurrence and with an aggregated annual limit of \$2,000,000. The policy must warrant the retroactive date equals or precedes the effective date of the Contract.

6.10.2 The Contractor shall deposit with the Contract Administrator, on or before the effective date of the Contract, certificate(s) of insurance necessary to satisfy the Contract Administrator that the provisions of the Contract have been complied with, and to keep such insurance in effect and provide the certificate(s) of insurance to the Contract Administrator during the entire term of the Contract.

Upon request by the Contract Administrator, the Contractor shall furnish a copy of the policy or policies.

6.10.3 The Contractor will immediately provide written notice to the Contract Administrator and contracting department or agency should any of the insurance policies evidenced on its Certificate of Insurance form be cancelled, limited in scope, or not renewed up expiration.

6.10.4 The certificates of insurance shall contain the following clauses:

1. "The State of Hawai'i is added as an additional insured as respects to operations performed for the State of Hawai'i."
2. "It is agreed that any insurance maintained by the State of Hawai'i will apply in excess of, and not contribute with, insurance provided by this policy."

6.10.5. Failure of the Contractor to provide and keep in force such insurance shall constitute a material default under the Contract, entitling the State to exercise any or all of the remedies provided in the Contract (including without limitation terminating the Contract). The procuring of any required policy or policies of insurance shall not be construed to limit the Contractor's liability hereunder, or to fulfill the indemnification provisions of the Contract. Notwithstanding said policy or policies of insurance, the Contractor shall be responsible for the full and total amount of any damage, injury, or loss caused by the Contractor's negligence or neglect in the provision of services under the Contract.

6.11 PAYMENT

Incremental payments shall be made to the awarded Contractor on a mutually agreeable basis, upon receipt of invoices and services that meet the expectations of the Solicitation.

6.12 CONTRACT INVALIDATION

If any provision of this contract is found to be invalid, such invalidation will not be construed to invalidate the entire contract.

SECTION SEVEN

EXHIBITS

- Exhibit A: Intent to Submit a Proposal Response
- Exhibit B: Offer Form, OF-1
- Exhibit C: Contract Form and AG General Conditions
- Exhibit D: Collateralization Requirements
- Exhibit E: Armored Car Pickup Locations
- Exhibit F: General Fund Portfolio
- Exhibit G: Permitted Investments
- Exhibit H: Cigarette Tax Stamp Inventory and Distribution Specifications
- Exhibit I: Data Collection Center Requirements and Responsibilities
- Exhibit J: Service Group 1: Primary Depository Bank Pro Forma
- Exhibit K: Service Group 2: Lockbox Pro Forma
- Exhibit L: Service Group 3: Electronic Funds Processing Pro Forma
- Exhibit M: Service Group 4: Custody Services
- Exhibit N: Service Group 5: Data Collection Center for Department of Taxation Pro
Forma
- Exhibit O: Lockbox Remittance Documents

**EXHIBIT A
NOTICE OF INTENTION TO SUBMIT A PROPOSAL**

Solicitation Manager
Ms. Judy Dang, Funds Custody Manager
Department of Budget and Finance
No 1 Capitol District
250 South Hotel Street, Rm. 302
Honolulu, HI 96813

Sent via e-mail to: Judy.A.Dang@hawaii.gov

Dear Ms. Dang:

RE: SOLICITATION FAD2015-01

This is to acknowledge that we have examined the Department of Budget and Finance's FAD2015-01: "Solicitation for Commercial Banking Services." We have reviewed the minimum qualifications stated at in Section 2.3 Scope of Work of the SBS and have determined that we qualify to submit a proposal in response to the SBS.

() YES, we DO intend to submit a proposal for the following Service Groups:

- Service Group 1: Primary Depository Bank
- Service Group 2: Lockbox Services
- Service Group 3: Electronic Funds Processing (Disbursements)
- Service Group 4: Custody Services
- Service Group 5: Data Collection Center for Department of Taxation

() NO, we DO NOT intend to submit a proposal.

COMPANY: _____

NAME: _____

SIGNATURE: _____

TITLE: _____

ADDRESS: _____

TELEPHONE: _____

FAX #: _____

E-MAIL ADDRESS: _____

**EXHIBIT B
OFFER FORM
OF-1**

**COMMERCIAL BANKING SERVICES
STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
SOLICITATION-FAD2015-01-SW**

Solicitation Manager
Ms. Judy Dang, Funds Custody Manager
Department of Budget and Finance
No 1 Capitol District
250 South Hotel Street, Rm. 302
Honolulu, HI 96813

Dear Ms. Dang:

The undersigned has carefully read and understands the terms and conditions specified in the Specifications and Special Provisions attached hereto, and in the General Conditions, by reference made a part hereof and available upon request; and hereby submits the following offer to perform the work specified herein, all in accordance with the true intent and meaning thereof. The undersigned further understands and agrees that by submitting this offer, 1) he/she is declaring his/her offer is not in violation of Chapter 84, Hawai'i Revised Statutes, concerning prohibited State contracts, and 2) he/she is certifying that the price(s) submitted was (were) independently arrived at without collusion.

Offeror is: Sole Proprietor Partnership *Corporation Joint Venture
 Other _____
*State of incorporation: _____

Hawai'i General Excise Tax License I.D. No. _____

Federal I.D. No. _____

Payment address (other than street address below): _____
City, State, Zip Code: _____

Business address (street address): _____
City, State, Zip Code: _____

Respectfully submitted:

Date: _____ (x) _____
Authorized (Original) Signature

Telephone No.: _____

Fax No.: _____ Name and Title (Please Type or Print)

E-mail Address: _____ ** _____
Exact Legal Name of Company (Offeror)

**If Offeror is a "dba" or a "division" of a corporation, furnish the exact legal name of the corporation under which the awarded contract will be executed:

EXHIBIT C
Contract Form and AG General Conditions

GENERAL CONDITIONS

Table of Contents

	<u>Page(s)</u>
1. Coordination of Services by the STATE.....	2
2. Relationship of Parties: Independent Contractor Status and Responsibilities, Including Tax Responsibilities.....	2
3. Personnel Requirements	3
4. Nondiscrimination	3
5. Conflicts of Interest	3
6. Subcontracts and Assignments	3
7. Indemnification and Defense.....	4
8. Cost of Litigation.....	4
9. Liquidated Damages	4
10. STATE'S Right of Offset.....	4
11. Disputes	4
12. Suspension of Contract.....	4
13. Termination for Default.....	5
14. Termination for Convenience.....	6
15. Claims Based on the Agency Procurement Officer's Actions or Omissions.....	8
16. Costs and Expenses	8
17. Payment Procedures; Final Payment; Tax Clearance	9
18. Federal Funds	9
19. Modifications of Contract.....	9
20. Change Order.....	10
21. Price Adjustment	11
22. Variation in Quantity for Definite Quantity Contracts	11
23. Changes in Cost-Reimbursement Contract.....	11
24. Confidentiality of Material	12
25. Publicity.....	12
26. Ownership Rights and Copyright	12
27. Liens and Warranties	12
28. Audit of Books and Records of the CONTRACTOR.....	13
29. Cost or Pricing Data	13
30. Audit of Cost or Pricing Data	13
31. Records Retention.....	13
32. Antitrust Claims.....	13
33. Patented Articles.....	13
34. Governing Law	14
35. Compliance with Laws	14
36. Conflict between General Conditions and Procurement Rules	14
37. Entire Contract.....	14
38. Severability.....	14
39. Waiver	14
40. Pollution Control	14
41. Campaign Contributions.....	14
42. Confidentiality of Personal Information.....	14

GENERAL CONDITIONS

1. Coordination of Services by the STATE. The head of the purchasing agency ("HOPA") (which term includes the designee of the HOPA) shall coordinate the services to be provided by the CONTRACTOR in order to complete the performance required in the Contract. The CONTRACTOR shall maintain communications with HOPA at all stages of the CONTRACTOR'S work, and submit to HOPA for resolution any questions which may arise as to the performance of this Contract. "Purchasing agency" as used in these General Conditions means and includes any governmental body which is authorized under chapter 103D, HRS, or its implementing rules and procedures, or by way of delegation, to enter into contracts for the procurement of goods or services or both.
2. Relationship of Parties: Independent Contractor Status and Responsibilities, Including Tax Responsibilities.
 - a. In the performance of services required under this Contract, the CONTRACTOR is an "independent contractor," with the authority and responsibility to control and direct the performance and details of the work and services required under this Contract; however, the STATE shall have a general right to inspect work in progress to determine whether, in the STATE'S opinion, the services are being performed by the CONTRACTOR in compliance with this Contract. Unless otherwise provided by special condition, it is understood that the STATE does not agree to use the CONTRACTOR exclusively, and that the CONTRACTOR is free to contract to provide services to other individuals or entities while under contract with the STATE.
 - b. The CONTRACTOR and the CONTRACTOR'S employees and agents are not by reason of this Contract, agents or employees of the State for any purpose, and the CONTRACTOR and the CONTRACTOR'S employees and agents shall not be entitled to claim or receive from the State any vacation, sick leave, retirement, workers' compensation, unemployment insurance, or other benefits provided to state employees.
 - c. The CONTRACTOR shall be responsible for the accuracy, completeness, and adequacy of the CONTRACTOR'S performance under this Contract. Furthermore, the CONTRACTOR intentionally, voluntarily, and knowingly assumes the sole and entire liability to the CONTRACTOR'S employees and agents, and to any individual not a party to this Contract, for all loss, damage, or injury caused by the CONTRACTOR, or the CONTRACTOR'S employees or agents in the course of their employment.
 - d. The CONTRACTOR shall be responsible for payment of all applicable federal, state, and county taxes and fees which may become due and owing by the CONTRACTOR by reason of this Contract, including but not limited to (i) income taxes, (ii) employment related fees, assessments, and taxes, and (iii) general excise taxes. The CONTRACTOR also is responsible for obtaining all licenses, permits, and certificates that may be required in order to perform this Contract.
 - e. The CONTRACTOR shall obtain a general excise tax license from the Department of Taxation, State of Hawaii, in accordance with section 237-9, HRS, and shall comply with all requirements thereof. The CONTRACTOR shall obtain a tax clearance certificate from the Director of Taxation, State of Hawaii, and the Internal Revenue Service, U.S. Department of the Treasury, showing that all delinquent taxes, if any, levied or accrued under state law and the Internal Revenue Code of 1986, as amended, against the CONTRACTOR have been paid and submit the same to the STATE prior to commencing any performance under this Contract. The CONTRACTOR shall also be solely responsible for meeting all requirements necessary to obtain the tax clearance certificate required for final payment under sections 103-53 and 103D-328, HRS, and paragraph 17 of these General Conditions.
 - f. The CONTRACTOR is responsible for securing all employee-related insurance coverage for the CONTRACTOR and the CONTRACTOR'S employees and agents that is or may be required by law, and for payment of all premiums, costs, and other liabilities associated with securing the insurance coverage.

- g. The CONTRACTOR shall obtain a certificate of compliance issued by the Department of Labor and Industrial Relations, State of Hawaii, in accordance with section 103D-310, HRS, and section 3-122-112, HAR, that is current within six months of the date of issuance.
- h. The CONTRACTOR shall obtain a certificate of good standing issued by the Department of Commerce and Consumer Affairs, State of Hawaii, in accordance with section 103D-310, HRS, and section 3-122-112, HAR, that is current within six months of the date of issuance.
- i. In lieu of the above certificates from the Department of Taxation, Labor and Industrial Relations, and Commerce and Consumer Affairs, the CONTRACTOR may submit proof of compliance through the State Procurement Office's designated certification process.

3. Personnel Requirements.

- a. The CONTRACTOR shall secure, at the CONTRACTOR'S own expense, all personnel required to perform this Contract.
- b. The CONTRACTOR shall ensure that the CONTRACTOR'S employees or agents are experienced and fully qualified to engage in the activities and perform the services required under this Contract, and that all applicable licensing and operating requirements imposed or required under federal, state, or county law, and all applicable accreditation and other standards of quality generally accepted in the field of the activities of such employees and agents are complied with and satisfied.

4. Nondiscrimination. No person performing work under this Contract, including any subcontractor, employee, or agent of the CONTRACTOR, shall engage in any discrimination that is prohibited by any applicable federal, state, or county law.

5. Conflicts of Interest. The CONTRACTOR represents that neither the CONTRACTOR, nor any employee or agent of the CONTRACTOR, presently has any interest, and promises that no such interest, direct or indirect, shall be acquired, that would or might conflict in any manner or degree with the CONTRACTOR'S performance under this Contract.

6. Subcontracts and Assignments. The CONTRACTOR shall not assign or subcontract any of the CONTRACTOR'S duties, obligations, or interests under this Contract and no such assignment or subcontract shall be effective unless (i) the CONTRACTOR obtains the prior written consent of the STATE, and (ii) the CONTRACTOR'S assignee or subcontractor submits to the STATE a tax clearance certificate from the Director of Taxation, State of Hawaii, and the Internal Revenue Service, U.S. Department of Treasury, showing that all delinquent taxes, if any, levied or accrued under state law and the Internal Revenue Code of 1986, as amended, against the CONTRACTOR'S assignee or subcontractor have been paid. Additionally, no assignment by the CONTRACTOR of the CONTRACTOR'S right to compensation under this Contract shall be effective unless and until the assignment is approved by the Comptroller of the State of Hawaii, as provided in section 40-58, HRS.

a. Recognition of a successor in interest. When in the best interest of the State, a successor in interest may be recognized in an assignment contract in which the STATE, the CONTRACTOR and the assignee or transferee (hereinafter referred to as the "Assignee") agree that:

- (1) The Assignee assumes all of the CONTRACTOR'S obligations;
- (2) The CONTRACTOR remains liable for all obligations under this Contract but waives all rights under this Contract as against the STATE; and
- (3) The CONTRACTOR shall continue to furnish, and the Assignee shall also furnish, all required bonds.

b. Change of name. When the CONTRACTOR asks to change the name in which it holds this Contract with the STATE, the procurement officer of the purchasing agency (hereinafter referred to as the "Agency procurement officer") shall, upon receipt of a document acceptable or satisfactory to the

Agency procurement officer indicating such change of name (for example, an amendment to the CONTRACTOR'S articles of incorporation), enter into an amendment to this Contract with the CONTRACTOR to effect such a change of name. The amendment to this Contract changing the CONTRACTOR'S name shall specifically indicate that no other terms and conditions of this Contract are thereby changed.

- c. Reports. All assignment contracts and amendments to this Contract effecting changes of the CONTRACTOR'S name or novations hereunder shall be reported to the chief procurement officer (CPO) as defined in section 103D-203(a), HRS, within thirty days of the date that the assignment contract or amendment becomes effective.
 - d. Actions affecting more than one purchasing agency. Notwithstanding the provisions of subparagraphs 6a through 6c herein, when the CONTRACTOR holds contracts with more than one purchasing agency of the State, the assignment contracts and the novation and change of name amendments herein authorized shall be processed only through the CPO's office.
7. Indemnification and Defense. The CONTRACTOR shall defend, indemnify, and hold harmless the State of Hawaii, the contracting agency, and their officers, employees, and agents from and against all liability, loss, damage, cost, and expense, including all attorneys' fees, and all claims, suits, and demands therefore, arising out of or resulting from the acts or omissions of the CONTRACTOR or the CONTRACTOR'S employees, officers, agents, or subcontractors under this Contract. The provisions of this paragraph shall remain in full force and effect notwithstanding the expiration or early termination of this Contract.
 8. Cost of Litigation. In case the STATE shall, without any fault on its part, be made a party to any litigation commenced by or against the CONTRACTOR in connection with this Contract, the CONTRACTOR shall pay all costs and expenses incurred by or imposed on the STATE, including attorneys' fees.
 9. Liquidated Damages. When the CONTRACTOR is given notice of delay or nonperformance as specified in paragraph 13 (Termination for Default) and fails to cure in the time specified, it is agreed the CONTRACTOR shall pay to the STATE the amount, if any, set forth in this Contract per calendar day from the date set for cure until either (i) the STATE reasonably obtains similar goods or services, or both, if the CONTRACTOR is terminated for default, or (ii) until the CONTRACTOR provides the goods or services, or both, if the CONTRACTOR is not terminated for default. To the extent that the CONTRACTOR'S delay or nonperformance is excused under paragraph 13d (Excuse for Nonperformance or Delay Performance), liquidated damages shall not be assessable against the CONTRACTOR. The CONTRACTOR remains liable for damages caused other than by delay.
 10. STATE'S Right of Offset. The STATE may offset against any monies or other obligations the STATE owes to the CONTRACTOR under this Contract, any amounts owed to the State of Hawaii by the CONTRACTOR under this Contract or any other contracts, or pursuant to any law or other obligation owed to the State of Hawaii by the CONTRACTOR, including, without limitation, the payment of any taxes or levies of any kind or nature. The STATE will notify the CONTRACTOR in writing of any offset and the nature of such offset. For purposes of this paragraph, amounts owed to the State of Hawaii shall not include debts or obligations which have been liquidated, agreed to by the CONTRACTOR, and are covered by an installment payment or other settlement plan approved by the State of Hawaii, provided, however, that the CONTRACTOR shall be entitled to such exclusion only to the extent that the CONTRACTOR is current with, and not delinquent on, any payments or obligations owed to the State of Hawaii under such payment or other settlement plan.
 11. Disputes. Disputes shall be resolved in accordance with section 103D-703, HRS, and chapter 3-126, Hawaii Administrative Rules ("HAR"), as the same may be amended from time to time.
 12. Suspension of Contract. The STATE reserves the right at any time and for any reason to suspend this Contract for any reasonable period, upon written notice to the CONTRACTOR in accordance with the provisions herein.
 - a. Order to stop performance. The Agency procurement officer may, by written order to the CONTRACTOR, at any time, and without notice to any surety, require the CONTRACTOR to stop all or any part of the performance called for by this Contract. This order shall be for a specified

period not exceeding sixty (60) days after the order is delivered to the CONTRACTOR, unless the parties agree to any further period. Any such order shall be identified specifically as a stop performance order issued pursuant to this section. Stop performance orders shall include, as appropriate: (1) A clear description of the work to be suspended; (2) Instructions as to the issuance of further orders by the CONTRACTOR for material or services; (3) Guidance as to action to be taken on subcontracts; and (4) Other instructions and suggestions to the CONTRACTOR for minimizing costs. Upon receipt of such an order, the CONTRACTOR shall forthwith comply with its terms and suspend all performance under this Contract at the time stated, provided, however, the CONTRACTOR shall take all reasonable steps to minimize the occurrence of costs allocable to the performance covered by the order during the period of performance stoppage. Before the stop performance order expires, or within any further period to which the parties shall have agreed, the Agency procurement officer shall either:

- (1) Cancel the stop performance order; or
- (2) Terminate the performance covered by such order as provided in the termination for default provision or the termination for convenience provision of this Contract.

b. Cancellation or expiration of the order. If a stop performance order issued under this section is cancelled at any time during the period specified in the order, or if the period of the order or any extension thereof expires, the CONTRACTOR shall have the right to resume performance. An appropriate adjustment shall be made in the delivery schedule or contract price, or both, and the Contract shall be modified in writing accordingly, if:

- (1) The stop performance order results in an increase in the time required for, or in the CONTRACTOR'S cost properly allocable to, the performance of any part of this Contract; and
- (2) The CONTRACTOR asserts a claim for such an adjustment within thirty (30) days after the end of the period of performance stoppage; provided that, if the Agency procurement officer decides that the facts justify such action, any such claim asserted may be received and acted upon at any time prior to final payment under this Contract.

c. Termination of stopped performance. If a stop performance order is not cancelled and the performance covered by such order is terminated for default or convenience, the reasonable costs resulting from the stop performance order shall be allowable by adjustment or otherwise.

d. Adjustment of price. Any adjustment in contract price made pursuant to this paragraph shall be determined in accordance with the price adjustment provision of this Contract.

13. Termination for Default.

a. Default. If the CONTRACTOR refuses or fails to perform any of the provisions of this Contract with such diligence as will ensure its completion within the time specified in this Contract, or any extension thereof, otherwise fails to timely satisfy the Contract provisions, or commits any other substantial breach of this Contract, the Agency procurement officer may notify the CONTRACTOR in writing of the delay or non-performance and if not cured in ten (10) days or any longer time specified in writing by the Agency procurement officer, such officer may terminate the CONTRACTOR'S right to proceed with the Contract or such part of the Contract as to which there has been delay or a failure to properly perform. In the event of termination in whole or in part, the Agency procurement officer may procure similar goods or services in a manner and upon the terms deemed appropriate by the Agency procurement officer. The CONTRACTOR shall continue performance of the Contract to the extent it is not terminated and shall be liable for excess costs incurred in procuring similar goods or services.

b. CONTRACTOR'S duties. Notwithstanding termination of the Contract and subject to any directions from the Agency procurement officer, the CONTRACTOR shall take timely, reasonable, and

necessary action to protect and preserve property in the possession of the CONTRACTOR in which the STATE has an interest.

- c. Compensation. Payment for completed goods and services delivered and accepted by the STATE shall be at the price set forth in the Contract. Payment for the protection and preservation of property shall be in an amount agreed upon by the CONTRACTOR and the Agency procurement officer. If the parties fail to agree, the Agency procurement officer shall set an amount subject to the CONTRACTOR'S rights under chapter 3-126, HAR. The STATE may withhold from amounts due the CONTRACTOR such sums as the Agency procurement officer deems to be necessary to protect the STATE against loss because of outstanding liens or claims and to reimburse the STATE for the excess costs expected to be incurred by the STATE in procuring similar goods and services.
- d. Excuse for nonperformance or delayed performance. The CONTRACTOR shall not be in default by reason of any failure in performance of this Contract in accordance with its terms, including any failure by the CONTRACTOR to make progress in the prosecution of the performance hereunder which endangers such performance, if the CONTRACTOR has notified the Agency procurement officer within fifteen (15) days after the cause of the delay and the failure arises out of causes such as: acts of God; acts of a public enemy; acts of the State and any other governmental body in its sovereign or contractual capacity; fires; floods; epidemics; quarantine restrictions; strikes or other labor disputes; freight embargoes; or unusually severe weather. If the failure to perform is caused by the failure of a subcontractor to perform or to make progress, and if such failure arises out of causes similar to those set forth above, the CONTRACTOR shall not be deemed to be in default, unless the goods and services to be furnished by the subcontractor were reasonably obtainable from other sources in sufficient time to permit the CONTRACTOR to meet the requirements of the Contract. Upon request of the CONTRACTOR, the Agency procurement officer shall ascertain the facts and extent of such failure, and, if such officer determines that any failure to perform was occasioned by any one or more of the excusable causes, and that, but for the excusable cause, the CONTRACTOR'S progress and performance would have met the terms of the Contract, the delivery schedule shall be revised accordingly, subject to the rights of the STATE under this Contract. As used in this paragraph, the term "subcontractor" means subcontractor at any tier.
- e. Erroneous termination for default. If, after notice of termination of the CONTRACTOR'S right to proceed under this paragraph, it is determined for any reason that the CONTRACTOR was not in default under this paragraph, or that the delay was excusable under the provisions of subparagraph 13d, "Excuse for nonperformance or delayed performance," the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to paragraph 14.
- f. Additional rights and remedies. The rights and remedies provided in this paragraph are in addition to any other rights and remedies provided by law or under this Contract.

14. Termination for Convenience.

- a. Termination. The Agency procurement officer may, when the interests of the STATE so require, terminate this Contract in whole or in part, for the convenience of the STATE. The Agency procurement officer shall give written notice of the termination to the CONTRACTOR specifying the part of the Contract terminated and when termination becomes effective.
- b. CONTRACTOR'S obligations. The CONTRACTOR shall incur no further obligations in connection with the terminated performance and on the date(s) set in the notice of termination the CONTRACTOR will stop performance to the extent specified. The CONTRACTOR shall also terminate outstanding orders and subcontracts as they relate to the terminated performance. The CONTRACTOR shall settle the liabilities and claims arising out of the termination of subcontracts and orders connected with the terminated performance subject to the STATE'S approval. The Agency procurement officer may direct the CONTRACTOR to assign the CONTRACTOR'S right, title, and interest under terminated orders or subcontracts to the STATE. The CONTRACTOR must still complete the performance not terminated by the notice of termination and may incur obligations as necessary to do so.

- c. Right to goods and work product. The Agency procurement officer may require the CONTRACTOR to transfer title and deliver to the STATE in the manner and to the extent directed by the Agency procurement officer:

- (1) Any completed goods or work product; and
- (2) The partially completed goods and materials, parts, tools, dies, jigs, fixtures, plans, drawings, information, and contract rights (hereinafter called "manufacturing material") as the CONTRACTOR has specifically produced or specially acquired for the performance of the terminated part of this Contract.

The CONTRACTOR shall, upon direction of the Agency procurement officer, protect and preserve property in the possession of the CONTRACTOR in which the STATE has an interest. If the Agency procurement officer does not exercise this right, the CONTRACTOR shall use best efforts to sell such goods and manufacturing materials. Use of this paragraph in no way implies that the STATE has breached the Contract by exercise of the termination for convenience provision.

- d. Compensation.

- (1) The CONTRACTOR shall submit a termination claim specifying the amounts due because of the termination for convenience together with the cost or pricing data, submitted to the extent required by chapter 3-122, HAR, bearing on such claim. If the CONTRACTOR fails to file a termination claim within one year from the effective date of termination, the Agency procurement officer may pay the CONTRACTOR, if at all, an amount set in accordance with subparagraph 14d(3) below.
- (2) The Agency procurement officer and the CONTRACTOR may agree to a settlement provided the CONTRACTOR has filed a termination claim supported by cost or pricing data submitted as required and that the settlement does not exceed the total Contract price plus settlement costs reduced by payments previously made by the STATE, the proceeds of any sales of goods and manufacturing materials under subparagraph 14c, and the Contract price of the performance not terminated.
- (3) Absent complete agreement under subparagraph 14d(2) the Agency procurement officer shall pay the CONTRACTOR the following amounts, provided payments agreed to under subparagraph 14d(2) shall not duplicate payments under this subparagraph for the following:
 - (A) Contract prices for goods or services accepted under the Contract;
 - (B) Costs incurred in preparing to perform and performing the terminated portion of the performance plus a fair and reasonable profit on such portion of the performance, such profit shall not include anticipatory profit or consequential damages, less amounts paid or to be paid for accepted goods or services; provided, however, that if it appears that the CONTRACTOR would have sustained a loss if the entire Contract would have been completed, no profit shall be allowed or included and the amount of compensation shall be reduced to reflect the anticipated rate of loss;
 - (C) Costs of settling and paying claims arising out of the termination of subcontracts or orders pursuant to subparagraph 14b. These costs must not include costs paid in accordance with subparagraph 14d(3)(B);
 - (D) The reasonable settlement costs of the CONTRACTOR, including accounting, legal, clerical, and other expenses reasonably necessary for the preparation of settlement claims and supporting data with respect to the terminated portion of the Contract and for the termination of subcontracts thereunder, together with reasonable storage, transportation, and other costs incurred in connection with the protection or disposition of property allocable to the terminated portion of this Contract. The total sum to be paid the CONTRACTOR under this subparagraph shall not exceed the

total Contract price plus the reasonable settlement costs of the CONTRACTOR reduced by the amount of payments otherwise made, the proceeds of any sales of supplies and manufacturing materials under subparagraph 14d(2), and the contract price of performance not terminated.

- (4) Costs claimed, agreed to, or established under subparagraphs 14d(2) and 14d(3) shall be in accordance with Chapter 3-123 (Cost Principles) of the Procurement Rules.

15. Claims Based on the Agency Procurement Officer's Actions or Omissions.

a. Changes in scope. If any action or omission on the part of the Agency procurement officer (which term includes the designee of such officer for purposes of this paragraph 15) requiring performance changes within the scope of the Contract constitutes the basis for a claim by the CONTRACTOR for additional compensation, damages, or an extension of time for completion, the CONTRACTOR shall continue with performance of the Contract in compliance with the directions or orders of such officials, but by so doing, the CONTRACTOR shall not be deemed to have prejudiced any claim for additional compensation, damages, or an extension of time for completion; provided:

- (1) Written notice required. The CONTRACTOR shall give written notice to the Agency procurement officer:

- (A) Prior to the commencement of the performance involved, if at that time the CONTRACTOR knows of the occurrence of such action or omission;

- (B) Within thirty (30) days after the CONTRACTOR knows of the occurrence of such action or omission, if the CONTRACTOR did not have such knowledge prior to the commencement of the performance; or

- (C) Within such further time as may be allowed by the Agency procurement officer in writing.

- (2) Notice content. This notice shall state that the CONTRACTOR regards the act or omission as a reason which may entitle the CONTRACTOR to additional compensation, damages, or an extension of time. The Agency procurement officer, upon receipt of such notice, may rescind such action, remedy such omission, or take such other steps as may be deemed advisable in the discretion of the Agency procurement officer;

- (3) Basis must be explained. The notice required by subparagraph 15a(1) describes as clearly as practicable at the time the reasons why the CONTRACTOR believes that additional compensation, damages, or an extension of time may be remedies to which the CONTRACTOR is entitled; and

- (4) Claim must be justified. The CONTRACTOR must maintain and, upon request, make available to the Agency procurement officer within a reasonable time, detailed records to the extent practicable, and other documentation and evidence satisfactory to the STATE, justifying the claimed additional costs or an extension of time in connection with such changes.

b. CONTRACTOR not excused. Nothing herein contained, however, shall excuse the CONTRACTOR from compliance with any rules or laws precluding any state officers and CONTRACTOR from acting in collusion or bad faith in issuing or performing change orders which are clearly not within the scope of the Contract.

c. Price adjustment. Any adjustment in the price made pursuant to this paragraph shall be determined in accordance with the price adjustment provision of this Contract.

16. Costs and Expenses. Any reimbursement due the CONTRACTOR for per diem and transportation expenses under this Contract shall be subject to chapter 3-123 (Cost Principles), HAR, and the following guidelines:

- a. Reimbursement for air transportation shall be for actual cost or coach class air fare, whichever is less.
- b. Reimbursement for ground transportation costs shall not exceed the actual cost of renting an intermediate-sized vehicle.
- c. Unless prior written approval of the HOPA is obtained, reimbursement for subsistence allowance (i.e., hotel and meals, etc.) shall not exceed the applicable daily authorized rates for inter-island or out-of-state travel that are set forth in the current Governor's Executive Order authorizing adjustments in salaries and benefits for state officers and employees in the executive branch who are excluded from collective bargaining coverage.

17. Payment Procedures; Final Payment; Tax Clearance.

- a. Original invoices required. All payments under this Contract shall be made only upon submission by the CONTRACTOR of original invoices specifying the amount due and certifying that services requested under the Contract have been performed by the CONTRACTOR according to the Contract.
- b. Subject to available funds. Such payments are subject to availability of funds and allotment by the Director of Finance in accordance with chapter 37, HRS. Further, all payments shall be made in accordance with and subject to chapter 40, HRS.
- c. Prompt payment.
 - (1) Any money, other than retainage, paid to the CONTRACTOR shall be disbursed to subcontractors within ten (10) days after receipt of the money in accordance with the terms of the subcontract; provided that the subcontractor has met all the terms and conditions of the subcontract and there are no bona fide disputes; and
 - (2) Upon final payment to the CONTRACTOR, full payment to the subcontractor, including retainage, shall be made within ten (10) days after receipt of the money; provided that there are no bona fide disputes over the subcontractor's performance under the subcontract.
- d. Final payment. Final payment under this Contract shall be subject to sections 103-53 and 103D-328, HRS, which require a tax clearance from the Director of Taxation, State of Hawaii, and the Internal Revenue Service, U.S. Department of Treasury, showing that all delinquent taxes, if any, levied or accrued under state law and the Internal Revenue Code of 1986, as amended, against the CONTRACTOR have been paid. Further, in accordance with section 3-122-112, HAR, CONTRACTOR shall provide a certificate affirming that the CONTRACTOR has remained in compliance with all applicable laws as required by this section.

18. Federal Funds. If this Contract is payable in whole or in part from federal funds, CONTRACTOR agrees that, as to the portion of the compensation under this Contract to be payable from federal funds, the CONTRACTOR shall be paid only from such funds received from the federal government, and shall not be paid from any other funds. Failure of the STATE to receive anticipated federal funds shall not be considered a breach by the STATE or an excuse for nonperformance by the CONTRACTOR.

19. Modifications of Contract.

- a. In writing. Any modification, alteration, amendment, change, or extension of any term, provision, or condition of this Contract permitted by this Contract shall be made by written amendment to this Contract, signed by the CONTRACTOR and the STATE, provided that change orders shall be made in accordance with paragraph 20 herein.
- b. No oral modification. No oral modification, alteration, amendment, change, or extension of any term, provision, or condition of this Contract shall be permitted.

- c. Agency procurement officer. By written order, at any time, and without notice to any surety, the Agency procurement officer may unilaterally order of the CONTRACTOR:
 - (A) Changes in the work within the scope of the Contract; and
 - (B) Changes in the time of performance of the Contract that do not alter the scope of the Contract work.
 - d. Adjustments of price or time for performance. If any modification increases or decreases the CONTRACTOR'S cost of, or the time required for, performance of any part of the work under this Contract, an adjustment shall be made and this Contract modified in writing accordingly. Any adjustment in contract price made pursuant to this clause shall be determined, where applicable, in accordance with the price adjustment clause of this Contract or as negotiated.
 - e. Claim barred after final payment. No claim by the CONTRACTOR for an adjustment hereunder shall be allowed if written modification of the Contract is not made prior to final payment under this Contract.
 - f. Claims not barred. In the absence of a written contract modification, nothing in this clause shall be deemed to restrict the CONTRACTOR'S right to pursue a claim under this Contract or for a breach of contract.
 - g. Head of the purchasing agency approval. If this is a professional services contract awarded pursuant to section 103D-303 or 103D-304, HRS, any modification, alteration, amendment, change, or extension of any term, provision, or condition of this Contract which increases the amount payable to the CONTRACTOR by at least \$25,000.00 and ten per cent (10%) or more of the initial contract price, must receive the prior approval of the head of the purchasing agency.
 - h. Tax clearance. The STATE may, at its discretion, require the CONTRACTOR to submit to the STATE, prior to the STATE'S approval of any modification, alteration, amendment, change, or extension of any term, provision, or condition of this Contract, a tax clearance from the Director of Taxation, State of Hawaii, and the Internal Revenue Service, U.S. Department of Treasury, showing that all delinquent taxes, if any, levied or accrued under state law and the Internal Revenue Code of 1986, as amended, against the CONTRACTOR have been paid.
 - i. Sole source contracts. Amendments to sole source contracts that would change the original scope of the Contract may only be made with the approval of the CPO. Annual renewal of a sole source contract for services should not be submitted as an amendment.
20. Change Order. The Agency procurement officer may, by a written order signed only by the STATE, at any time, and without notice to any surety, and subject to all appropriate adjustments, make changes within the general scope of this Contract in any one or more of the following:
- (1) Drawings, designs, or specifications, if the goods or services to be furnished are to be specially provided to the STATE in accordance therewith;
 - (2) Method of delivery; or
 - (3) Place of delivery.
- a. Adjustments of price or time for performance. If any change order increases or decreases the CONTRACTOR'S cost of, or the time required for, performance of any part of the work under this Contract, whether or not changed by the order, an adjustment shall be made and the Contract modified in writing accordingly. Any adjustment in the Contract price made pursuant to this provision shall be determined in accordance with the price adjustment provision of this Contract. Failure of the parties to agree to an adjustment shall not excuse the CONTRACTOR from proceeding with the Contract as changed, provided that the Agency procurement officer promptly and duly makes the provisional adjustments in payment or time for performance as may be reasonable. By

proceeding with the work, the CONTRACTOR shall not be deemed to have prejudiced any claim for additional compensation, or any extension of time for completion.

- b. Time period for claim. Within ten (10) days after receipt of a written change order under subparagraph 20a, unless the period is extended by the Agency procurement officer in writing, the CONTRACTOR shall respond with a claim for an adjustment. The requirement for a timely written response by CONTRACTOR cannot be waived and shall be a condition precedent to the assertion of a claim.
- c. Claim barred after final payment. No claim by the CONTRACTOR for an adjustment hereunder shall be allowed if a written response is not given prior to final payment under this Contract.
- d. Other claims not barred. In the absence of a change order, nothing in this paragraph 20 shall be deemed to restrict the CONTRACTOR'S right to pursue a claim under the Contract or for breach of contract.

21. Price Adjustment.

- a. Price adjustment. Any adjustment in the contract price pursuant to a provision in this Contract shall be made in one or more of the following ways:
 - (1) By agreement on a fixed price adjustment before commencement of the pertinent performance or as soon thereafter as practicable;
 - (2) By unit prices specified in the Contract or subsequently agreed upon;
 - (3) By the costs attributable to the event or situation covered by the provision, plus appropriate profit or fee, all as specified in the Contract or subsequently agreed upon;
 - (4) In such other manner as the parties may mutually agree; or
 - (5) In the absence of agreement between the parties, by a unilateral determination by the Agency procurement officer of the costs attributable to the event or situation covered by the provision, plus appropriate profit or fee, all as computed by the Agency procurement officer in accordance with generally accepted accounting principles and applicable sections of chapters 3-123 and 3-126, HAR.
- b. Submission of cost or pricing data. The CONTRACTOR shall provide cost or pricing data for any price adjustments subject to the provisions of chapter 3-122, HAR.

22. Variation in Quantity for Definite Quantity Contracts. Upon the agreement of the STATE and the CONTRACTOR, the quantity of goods or services, or both, if a definite quantity is specified in this Contract, may be increased by a maximum of ten per cent (10%); provided the unit prices will remain the same except for any price adjustments otherwise applicable; and the Agency procurement officer makes a written determination that such an increase will either be more economical than awarding another contract or that it would not be practical to award another contract.

23. Changes in Cost-Reimbursement Contract. If this Contract is a cost-reimbursement contract, the following provisions shall apply:

- a. The Agency procurement officer may at any time by written order, and without notice to the sureties, if any, make changes within the general scope of the Contract in any one or more of the following:
 - (1) Description of performance (Attachment 1);
 - (2) Time of performance (i.e., hours of the day, days of the week, etc.);
 - (3) Place of performance of services;

- (4) Drawings, designs, or specifications when the supplies to be furnished are to be specially manufactured for the STATE in accordance with the drawings, designs, or specifications;
 - (5) Method of shipment or packing of supplies; or
 - (6) Place of delivery.
- b. If any change causes an increase or decrease in the estimated cost of, or the time required for performance of, any part of the performance under this Contract, whether or not changed by the order, or otherwise affects any other terms and conditions of this Contract, the Agency procurement officer shall make an equitable adjustment in the (1) estimated cost, delivery or completion schedule, or both; (2) amount of any fixed fee; and (3) other affected terms and shall modify the Contract accordingly.
 - c. The CONTRACTOR must assert the CONTRACTOR'S rights to an adjustment under this provision within thirty (30) days from the day of receipt of the written order. However, if the Agency procurement officer decides that the facts justify it, the Agency procurement officer may receive and act upon a proposal submitted before final payment under the Contract.
 - d. Failure to agree to any adjustment shall be a dispute under paragraph 11 of this Contract. However, nothing in this provision shall excuse the CONTRACTOR from proceeding with the Contract as changed.
 - e. Notwithstanding the terms and conditions of subparagraphs 23a and 23b, the estimated cost of this Contract and, if this Contract is incrementally funded, the funds allotted for the performance of this Contract, shall not be increased or considered to be increased except by specific written modification of the Contract indicating the new contract estimated cost and, if this contract is incrementally funded, the new amount allotted to the contract.
24. Confidentiality of Material.
- a. All material given to or made available to the CONTRACTOR by virtue of this Contract, which is identified as proprietary or confidential information, will be safeguarded by the CONTRACTOR and shall not be disclosed to any individual or organization without the prior written approval of the STATE.
 - b. All information, data, or other material provided by the CONTRACTOR to the STATE shall be subject to the Uniform Information Practices Act, chapter 92F, HRS.
25. Publicity. The CONTRACTOR shall not refer to the STATE, or any office, agency, or officer thereof, or any state employee, including the HOPA, the CPO, the Agency procurement officer, or to the services or goods, or both, provided under this Contract, in any of the CONTRACTOR'S brochures, advertisements, or other publicity of the CONTRACTOR. All media contacts with the CONTRACTOR about the subject matter of this Contract shall be referred to the Agency procurement officer.
26. Ownership Rights and Copyright. The STATE shall have complete ownership of all material, both finished and unfinished, which is developed, prepared, assembled, or conceived by the CONTRACTOR pursuant to this Contract, and all such material shall be considered "works made for hire." All such material shall be delivered to the STATE upon expiration or termination of this Contract. The STATE, in its sole discretion, shall have the exclusive right to copyright any product, concept, or material developed, prepared, assembled, or conceived by the CONTRACTOR pursuant to this Contract.
27. Liens and Warranties. Goods provided under this Contract shall be provided free of all liens and provided together with all applicable warranties, or with the warranties described in the Contract documents, whichever are greater.

28. Audit of Books and Records of the CONTRACTOR. The STATE may, at reasonable times and places, audit the books and records of the CONTRACTOR, prospective contractor, subcontractor, or prospective subcontractor which are related to:
- a. The cost or pricing data, and
 - b. A state contract, including subcontracts, other than a firm fixed-price contract.

29. Cost or Pricing Data. Cost or pricing data must be submitted to the Agency procurement officer and timely certified as accurate for contracts over \$100,000 unless the contract is for a multiple-term or as otherwise specified by the Agency procurement officer. Unless otherwise required by the Agency procurement officer, cost or pricing data submission is not required for contracts awarded pursuant to competitive sealed bid procedures.

If certified cost or pricing data are subsequently found to have been inaccurate, incomplete, or noncurrent as of the date stated in the certificate, the STATE is entitled to an adjustment of the contract price, including profit or fee, to exclude any significant sum by which the price, including profit or fee, was increased because of the defective data. It is presumed that overstated cost or pricing data increased the contract price in the amount of the defect plus related overhead and profit or fee. Therefore, unless there is a clear indication that the defective data was not used or relied upon, the price will be reduced in such amount.

30. Audit of Cost or Pricing Data. When cost or pricing principles are applicable, the STATE may require an audit of cost or pricing data.

31. Records Retention.

- (1) Upon any termination of this Contract or as otherwise required by applicable law, CONTRACTOR shall, pursuant to chapter 487R, HRS, destroy all copies (paper or electronic form) of personal information received from the STATE.
- (2) The CONTRACTOR and any subcontractors shall maintain the files, books, and records that relate to the Contract, including any personal information created or received by the CONTRACTOR on behalf of the STATE, and any cost or pricing data, for at least three (3) years after the date of final payment under the Contract. The personal information shall continue to be confidential and shall only be disclosed as permitted or required by law. After the three (3) year, or longer retention period as required by law has ended, the files, books, and records that contain personal information shall be destroyed pursuant to chapter 487R, HRS or returned to the STATE at the request of the STATE.

32. Antitrust Claims. The STATE and the CONTRACTOR recognize that in actual economic practice, overcharges resulting from antitrust violations are in fact usually borne by the purchaser. Therefore, the CONTRACTOR hereby assigns to STATE any and all claims for overcharges as to goods and materials purchased in connection with this Contract, except as to overcharges which result from violations commencing after the price is established under this Contract and which are not passed on to the STATE under an escalation clause.

33. Patented Articles. The CONTRACTOR shall defend, indemnify, and hold harmless the STATE, and its officers, employees, and agents from and against all liability, loss, damage, cost, and expense, including all attorneys fees, and all claims, suits, and demands arising out of or resulting from any claims, demands, or actions by the patent holder for infringement or other improper or unauthorized use of any patented article, patented process, or patented appliance in connection with this Contract. The CONTRACTOR shall be solely responsible for correcting or curing to the satisfaction of the STATE any such infringement or improper or unauthorized use, including, without limitation: (a) furnishing at no cost to the STATE a substitute article, process, or appliance acceptable to the STATE, (b) paying royalties or other required payments to the patent holder, (c) obtaining proper authorizations or releases from the patent holder, and (d) furnishing such security to or making such arrangements with the patent holder as may be necessary to correct or cure any such infringement or improper or unauthorized use.

34. Governing Law. The validity of this Contract and any of its terms or provisions, as well as the rights and duties of the parties to this Contract, shall be governed by the laws of the State of Hawaii. Any action at law or in equity to enforce or interpret the provisions of this Contract shall be brought in a state court of competent jurisdiction in Honolulu, Hawaii.
35. Compliance with Laws. The CONTRACTOR shall comply with all federal, state, and county laws, ordinances, codes, rules, and regulations, as the same may be amended from time to time, that in any way affect the CONTRACTOR'S performance of this Contract.
36. Conflict Between General Conditions and Procurement Rules. In the event of a conflict between the General Conditions and the procurement rules, the procurement rules in effect on the date this Contract became effective shall control and are hereby incorporated by reference.
37. Entire Contract. This Contract sets forth all of the agreements, conditions, understandings, promises, warranties, and representations between the STATE and the CONTRACTOR relative to this Contract. This Contract supersedes all prior agreements, conditions, understandings, promises, warranties, and representations, which shall have no further force or effect. There are no agreements, conditions, understandings, promises, warranties, or representations, oral or written, express or implied, between the STATE and the CONTRACTOR other than as set forth or as referred to herein.
38. Severability. In the event that any provision of this Contract is declared invalid or unenforceable by a court, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining terms of this Contract.
39. Waiver. The failure of the STATE to insist upon the strict compliance with any term, provision, or condition of this Contract shall not constitute or be deemed to constitute a waiver or relinquishment of the STATE'S right to enforce the same in accordance with this Contract. The fact that the STATE specifically refers to one provision of the procurement rules or one section of the Hawaii Revised Statutes, and does not include other provisions or statutory sections in this Contract shall not constitute a waiver or relinquishment of the STATE'S rights or the CONTRACTOR'S obligations under the procurement rules or statutes.
40. Pollution Control. If during the performance of this Contract, the CONTRACTOR encounters a "release" or a "threatened release" of a reportable quantity of a "hazardous substance," "pollutant," or "contaminant" as those terms are defined in section 128D-1, HRS, the CONTRACTOR shall immediately notify the STATE and all other appropriate state, county, or federal agencies as required by law. The Contractor shall take all necessary actions, including stopping work, to avoid causing, contributing to, or making worse a release of a hazardous substance, pollutant, or contaminant, and shall promptly obey any orders the Environmental Protection Agency or the state Department of Health issues in response to the release. In the event there is an ensuing cease-work period, and the STATE determines that this Contract requires an adjustment of the time for performance, the Contract shall be modified in writing accordingly.
41. Campaign Contributions. The CONTRACTOR is hereby notified of the applicability of 11-355, HRS, which states that campaign contributions are prohibited from specified state or county government contractors during the terms of their contracts if the contractors are paid with funds appropriated by a legislative body.
42. Confidentiality of Personal Information.
- a. Definitions.
- "Personal information" means an individual's first name or first initial and last name in combination with any one or more of the following data elements, when either name or data elements are not encrypted:
- (1) Social security number;
 - (2) Driver's license number or Hawaii identification card number; or

- (3) Account number, credit or debit card number, access code, or password that would permit access to an individual's financial information.

Personal information does not include publicly available information that is lawfully made available to the general public from federal, state, or local government records.

"Technological safeguards" means the technology and the policy and procedures for use of the technology to protect and control access to personal information.

b. Confidentiality of Material.

- (1) All material given to or made available to the CONTRACTOR by the STATE by virtue of this Contract which is identified as personal information, shall be safeguarded by the CONTRACTOR and shall not be disclosed without the prior written approval of the STATE.
- (2) CONTRACTOR agrees not to retain, use, or disclose personal information for any purpose other than as permitted or required by this Contract.
- (3) CONTRACTOR agrees to implement appropriate "technological safeguards" that are acceptable to the STATE to reduce the risk of unauthorized access to personal information.
- (4) CONTRACTOR shall report to the STATE in a prompt and complete manner any security breaches involving personal information.
- (5) CONTRACTOR agrees to mitigate, to the extent practicable, any harmful effect that is known to CONTRACTOR because of a use or disclosure of personal information by CONTRACTOR in violation of the requirements of this paragraph.
- (6) CONTRACTOR shall complete and retain a log of all disclosures made of personal information received from the STATE, or personal information created or received by CONTRACTOR on behalf of the STATE.

c. Security Awareness Training and Confidentiality Agreements.

- (1) CONTRACTOR certifies that all of its employees who will have access to the personal information have completed training on security awareness topics relating to protecting personal information.
- (2) CONTRACTOR certifies that confidentiality agreements have been signed by all of its employees who will have access to the personal information acknowledging that:
 - (A) The personal information collected, used, or maintained by the CONTRACTOR will be treated as confidential;
 - (B) Access to the personal information will be allowed only as necessary to perform the Contract; and
 - (C) Use of the personal information will be restricted to uses consistent with the services subject to this Contract.

d. Termination for Cause. In addition to any other remedies provided by this Contract, if the STATE learns of a material breach by CONTRACTOR of this paragraph by CONTRACTOR, the STATE may at its sole discretion:

- (1) Provide an opportunity for the CONTRACTOR to cure the breach or end the violation; or
- (2) Immediately terminate this Contract.

In either instance, the CONTRACTOR and the STATE shall follow chapter 487N, HRS, with respect to notification of a security breach of personal information.

e. Records Retention.

- (1) Upon any termination of this Contract or as otherwise required by applicable law, CONTRACTOR shall, pursuant to chapter 487R, HRS, destroy all copies (paper or electronic form) of personal information received from the STATE.
- (2) The CONTRACTOR and any subcontractors shall maintain the files, books, and records that relate to the Contract, including any personal information created or received by the CONTRACTOR on behalf of the STATE, and any cost or pricing data, for at least three (3) years after the date of final payment under the Contract. The personal information shall continue to be confidential and shall only be disclosed as permitted or required by law. After the three (3) year, or longer retention period as required by law has ended, the files, books, and records that contain personal information shall be destroyed pursuant to chapter 487R, HRS or returned to the STATE at the request of the STATE.

EXHIBIT D
Collateralization Requirements

Hawaii Revised Code §38-3

For the protection of funds deposited by the director under this chapter, the following securities shall be deposited with the director, or with banks in the continental United States, or with financial institutions with trust powers authorized to do business in the State, as the director may select, to be held therein for safekeeping subject to the order of the director, any other provisions of the laws of the State to the contrary notwithstanding:

- (1) Bonds, notes, debentures, or other evidences of indebtedness of the State or of any county of the State, for which the payment of the interest and principal is a direct obligation of the State or the county, as the case may be, in an amount at least equal in their par value to the amount of the deposit with the depository;
- (2) Bonds, notes, debentures, or other evidences of indebtedness of agencies of the State or of agencies of any county of the State, for which the payment of the interest and principal is from the revenues of the issuing agency, in an amount at least equal in their market value, but not to exceed their par value, to the amount of the deposit with the depository;
- (3) Bonds, notes, debentures, or other evidences of indebtedness of any improvement district or frontage improvement of any county of the State, for which the payment of the interest and principal is from the assessments made for the improvement, in an amount at least equal in their market value, but not to exceed their par value, to the amount of the deposit with the depository;
- (4) Bonds, notes, bills, or certificates of indebtedness of the United States or of agencies of the United States, for which the payment of the interest and principal is a direct obligation of the United States, in an amount at least equal in their market value, but not to exceed their par value, to the amount of the deposit with the depository;
- (5) Bonds, notes, federal home loan bank letters of credit, or debentures of agencies of the United States, in an amount at least equal to ninety-five per cent of their market value, but not to exceed their par value, to the amount of the deposit with the depository;
- (6) Warrants or warrant notes of the State in an amount at least equal in their face value to the amount of the deposit with the depository;
- (7) Bonds, notes, debentures, or other evidences of indebtedness of any other state of the United States, for which the payment of the interest and principal is a direct obligation of that state, in an amount at least equal in their market value, but not to exceed their par value, to the amount of the deposit with the depository;
- (8) Bonds, notes, debentures, or other evidences of indebtedness of any city or of any county in the continental United States, for which the payment of the interest and principal is a direct obligation of the city or county, as the case may be, in an amount at least equal in their market value, but not to exceed their par value, to the amount of the deposit with the depository;

(9) Certificates of deposit issued through the Certificate of Deposit Account Registry Service in an amount at least equal in their market value, but not to exceed their par value, to the amount of the deposit with the depository; or

(10) Other assets on the books of the depository that are eligible to secure advances from the Federal Reserve Banks under regulations of the Federal Reserve Board, in an amount at least equal in their market value, but not to exceed their par value, to the amount of the deposit with the depository; provided that not more than fifty per cent of the deposits held by a depository may be secured by assets of this class. Security shall not be required for that portion of any deposit that is insured under any law of the United States.

Securities deposited under this section may be withdrawn from time to time; provided that the required amount of securities shall at all times be kept on deposit. The director at any time may require additional securities to be deposited under this section. In the event that the depository shall fail to pay the deposits, or any part thereof, upon presentation of a check or a certificate of deposit, then the director shall forthwith convert the securities deposited under this section into money for and on behalf of the State; provided that no securities shall be sold except at public auction, after giving at least ten days' public notice thereof in the State.

EXHIBIT E
Armored Car Pickup Locations

AGENCY	OAHU PICKUP LOCATION
DAGS	1151 PUNCHBOWL 414
STADIUM AUTHORITY	STADIUM BOX OFFICE
DEPT OF AG-ADMIN	1428 S.KING ST
DEPT OF AG-ANIMAL QUARANTINE	99-951 HALAWA VALY
DEPT OF AG-PLANT INDUSTRY	1849 AUIKI ST
DEPT OF ATTORNEY GENERAL	601 KAMOKILA 335
HAWAII CRIMINAL JUSTICE DATA CENTER	465 S.KING ST 102
HHFDC	677 QUEEN ST
DCCA-COMMERCE & CONSUMER AFFAIR	335 MERCHANT ST 301
DHHL-FISCAL OFFICE	91-5420 KAPOLEI PKWY
STATE LIBRARY	478 S.KING ST
DEPT OF HEALTH-ASO	1250 PUNCHBOWL 307
DEPT OF HEALTH-ASO	1250 PUNCHBOWL 307
DEPT OF HEALTH-ASO	1250 PUNCHBOWL 307
DEPT OF HEALTH-ASO	1250 PUNCHBOWL 307
DEPT OF HEALTH-ASO	1250 PUNCHBOWL 103
	45-710 KEAAHALA RD
DEPT OF HEALTH-STATE HOSPITAL	KANEOHE
DHS-FMO/ACCOUNTING	LILI #110
DHS-FMO/MONEY PAYMENT STAFF	DAGS 324
DHS-FMO/PRE-AUDIT STAFF	DAGS 324
DLNR-ADMIN OFFICE	1151 PUNCHBOWL 110
DEPT OF PUBLIC SAFETY-OAHU COMM COR	2199 KAM HWY
DEPT OF PUBLIC SAFETY-OAHU COMM COR	BOH
DEPT OF PUBLIC SAFETY HALAWA CORRECTION	99-902 MOANALUA RD
DEPT OF TAXATION	830 PUNCHBOWL 124
DOT AIRPORT DIV	400 RODGER BLVD #700
DOT-AIRPORT DIV-OFFICE SERVICE	300 RODGER BLVD #8
DOT-HARBOR DIV	79 S.NIMITZ 3RD FL
DOT-HIGHWAYS/MOTOR VEHICLE SAFETY	601 Kamokila 511
JUDICIARY-1ST CIRCUIT-CASHIER	777 PUNCHBOLW 1ST
JUDICIARY-1ST CIRCUIT-CASHIER	777 PUNCHBOLW 1ST
JUDICIARY-TAFFIC VIOLATION BUREAU	1111 Alakea St 2ND
JUDICIARY-DISTRICT OF THE 1ST CIRCUIT	1111 Alakea St 4th
JUDICIARY-DISTRICT OF THE 1ST CIRCUIT	1111 Alakea St 4th
JUDICIARY-DISTRICT OF THE 1ST CIRCUIT	1111 Alakea St 4th
JUDICIARY-EWA DISTRICT COURT	679 FOURTH ST
JUDICIARY-KAPOLEI DISTRICT COURT	4675 KAPOLEI PKWAY
JUDICIARY-KAPOLEI DISTRICT COURT	4675 KAPOLEI PKWAY
JUDICIARY-KANEOHE DISTRICT COURT	45-539 POOKELA ST
JUDICIARY-WAHIWA DISTRICT COURT	1034 Kilani Ave

EXHIBIT F
General Fund Portfolio as of June 30, 2013
Electronic Copy Included in the Excel Spreadsheet

Security	CUSIP	Maturity Date	Quantity
FANNIE MAE	313589HP1	07/01/2013	9,007,000
U.S. TREASURY BILLS	912796AN9	07/05/2013	40,000,000
U.S. TREASURY BILL	912796AN9	07/05/2013	62,000,000
U.S. TREASURY BILL	912796AS8	07/11/2013	44,000,000
FANNIE MAE	313589JF1	07/17/2013	45,042,000
U.S. TREASURY BILLS	912796AT6	07/18/2013	25,000,000
U.S. TREASURY BILLS	912796AT6	07/18/2013	40,000,000
U.S. TREASURY BILL	912796AT6	07/18/2013	40,000,000
U.S. TREASURY BILLS	9127957A3	07/25/2013	48,000,000
U.S. TREASURY BILLS	9127957A3	07/25/2013	50,000,000
U.S. TREASURY BILLS	912796AV1	08/08/2013	10,000,000
FEDERAL HOME LOAN BANK	3133785C1	08/09/2013	25,000,000
FREDDIE MAC	313397KK6	08/14/2013	29,032,000
U.S. TREASURY BILLS	912796AX7	08/15/2013	18,000,000
U.S. TREASURY BILLS	912796AX7	08/15/2013	20,000,000
U.S. TREASURY BILLS	912796AX7	08/15/2013	24,000,000
U.S. TREASURY BILLS	9127957E5	08/22/2013	18,000,000
U.S. TREASURY BILLS	9127957E5	08/22/2013	50,000,000
FEDERAL HOME LOAN BANK	313376PY5	08/28/2013	20,000,000
U.S. TREASURY BILLS	912796BB4	09/12/2013	48,000,000
U.S. TREASURY BILLS	9127957K1	09/19/2013	50,000,000
U.S. TREASURY BILLS	912796BC2	09/26/2013	10,000,000
FEDERAL HOME LOAN BANK	313378U41	09/30/2013	15,000,000
U.S. TREASURY BILLS	912796BF5	10/10/2013	20,000,000
U.S. TREASURY BILLS	912795Z87	10/17/2013	30,000,000
U.S. TREASURY BILLS	912795Z87	10/17/2013	50,000,000
U.S. TREASURY BILLS	912796BG3	10/24/2013	28,000,000
U.S. TREASURY BILLS	912796BG3	10/24/2013	32,000,000
U.S. TREASURY BILLS	912796BG3	10/24/2013	50,000,000
U.S. TREASURY BILLS	912796BH1	10/31/2013	1,000,000
U.S. TREASURY BILLS	912796BH1	10/31/2013	30,000,000
U.S. TREASURY BILLS	912796BH1	10/31/2013	50,000,000
U.S. TREASURY BILL	912796BH1	10/31/2013	33,000,000
FEDERAL HOME LOAN BANK	313385NS1	11/01/2013	10,017,000
FHLB BOND	313382Y56	11/06/2013	7,000,000
U.S. TREASURY BILLS	912796AE9	11/14/2013	9,000,000
U.S. TREASURY BILL	912796AE9	11/14/2013	20,000,000
U.S. TREASURY BILLS	912796BL2	11/21/2013	16,000,000
U.S. TREASURY BILLS	912796BM0	11/29/2013	20,000,000
U.S. TREASURY BILLS	912796AK5	12/12/2013	9,000,000
U.S. TREASURY BILLS	912796AK5	12/12/2013	50,000,000
FHLB BOND	3133833H2	02/24/2014	25,000,000
FHLB BOND	3133834J7	05/09/2014	6,000,000
FANNIE MAE	31398A6A5	05/16/2014	5,000,000
FANNIE MAE	31398A3G5	09/08/2014	5,000,000
FHLB BOND	313382TH6	10/22/2014	15,000,000
FHLB BOND	313381G58	12/26/2014	10,000,000
FEDERAL HOME LOAN BANK	313381LD5	01/09/2015	10,000,000
FHLB BOND	313381Y66	02/13/2015	30,000,000
FEDERAL HOME LOAN BANK	313375SN8	03/30/2015	4,500,000
FFCB BOND	3133ECNU4	05/06/2015	15,000,000
FEDERAL HOME LOAN BANK	313379UC1	06/26/2015	2,895,000
FEDERAL FARM CREDIT BANK	3133EA3X4	07/09/2015	20,000,000
FHLB BOND	313381PY5	10/23/2015	20,000,000
FHLB BOND	313382W66	11/16/2015	17,000,000
FHLB BOND	313382EL3	12/18/2015	12,000,000
FHLB BOND	313381HL2	12/28/2015	10,000,000
FEDERAL HOME LOAN BANK	313378RV5	02/22/2016	10,000,000
FHLB BOND	3133824Q3	02/26/2016	5,000,000
FHLB BOND	313382DC4	03/07/2016	5,000,000
FEDERAL HOME LOAN BANK	313375JC2	03/15/2016	5,000,000
FNMA NTS	3136G1GK9	03/25/2016	10,000,000
FHLB BOND	313382S79	04/22/2016	10,000,000

Security	CUSIP	Maturity Date	Quantity
FHLB BOND	313382S79	04/22/2016	10,000,000
FHLB BOND	313383C66	06/10/2016	5,000,000
FHLB BOND	313383CZ2	06/10/2016	10,000,000
FEDERAL HOME LN BANK NTS	313383KE0	06/17/2016	15,000,000
FHLB BOND	313381QX6	07/25/2016	5,000,000
FHLB BOND	313381Q81	07/29/2016	5,000,000
FHLB BOND	3133824M2	08/22/2016	5,000,000
FEDERAL HOME LOAN BANK	313375HN0	09/15/2016	20,000,000
FHLB MED TERM NTS	3134G36P0	09/21/2016	30,000,000
FNMA NTS	3136G1GR4	09/27/2016	8,000,000
FHLB BOND	313382SL8	10/26/2016	5,000,000
FHLB BOND	3133813G8	11/01/2016	5,000,000
FHLB BOND	313382SY0	11/07/2016	5,000,000
FHLB BOND	313382UC5	11/08/2016	7,000,000
FEDERAL FARM CREDIT BANK	3133EC3M4	11/21/2016	20,000,000
FHLB BOND	313382CQ4	12/19/2016	4,100,000
FHLB BOND	313382UF8	12/30/2016	10,000,000
FHLB BOND	313383BA8	12/30/2016	14,000,000
FHLB BOND	313382MR1	01/17/2017	10,000,000
FEDERAL HOME LOAN BANK	313376S97	01/24/2017	25,000,000
FHLB BOND	313382UR2	02/08/2017	10,000,000
FHLB BOND	313382BB8	03/13/2017	25,000,000
FHLB MED TERM NTS	3134G36K1	03/21/2017	10,000,000
FHLB BOND	313380U88	04/17/2017	15,000,000
FEDERAL HOME LOAN BANK	313382SN4	04/24/2017	10,000,000
FHLB BOND	3133836T3	05/22/2017	5,000,000
FHLB BOND	3133833E9	05/23/2017	20,000,000
FHLB BOND	313381DD4	06/05/2017	6,000,000
FHLB BOND	313381PK5	06/27/2017	10,000,000
FHLB BOND	313383JK8	06/27/2017	12,000,000
FEDERAL HOME LOAN BANK	3133802C0	07/26/2017	25,000,000
FHLB BOND	3133804V6	08/09/2017	30,000,000
FHLB BOND	313382W25	08/15/2017	15,000,000
FHLB BOND	313380MZ7	09/18/2017	5,000,000
FHLB BOND	313380MF1	09/18/2017	5,000,000
FHLB BOND	313380TD9	10/16/2017	10,000,000
FHLB BOND	3133813R4	11/09/2017	15,000,000
FHLB BOND	313382XA6	11/22/2017	15,000,000
FHLB BOND	313382ZK2	11/30/2017	15,000,000
FHLB BOND	313381E27	12/19/2017	7,800,000
FHLB BOND	313381LC7	12/28/2017	8,000,000
FEDERAL HOME LOAN BANK	313381JJ5	01/03/2018	15,000,000
FHLB NTS	313381JH9	01/10/2018	15,000,000
FHLB BOND	313382L92	01/10/2018	22,000,000
FHLB BOND	313381M69	01/16/2018	10,000,000
FHLB BOND	313381QE8	01/22/2018	10,000,000
FHLB BOND	313381S63	01/30/2018	15,000,000
FHLB BOND	313381UJ2	01/30/2018	38,000,000
FEDERAL HOME LOAN BANK	313381WF8	02/05/2018	10,000,000
FHLB BOND	313381XM2	02/05/2018	25,000,000
FHLB BOND	313381Y90	02/08/2018	17,000,000
FHLB NTS	3133825N9	02/28/2018	10,000,000
FNMA NTS	3135G0VL4	03/20/2018	22,000,000
FNMA BOND	3136G1HU6	04/04/2018	10,000,000
FHLB BOND	313382L76	04/16/2018	10,000,000
FHLB BOND	313382V59	04/30/2018	11,000,000
FHLB BOND	313382Y98	05/16/2018	10,000,000
FEDERAL HOME LN BANK	3133836L0	05/24/2018	20,000,000
FHLB BOND	313383AE1	06/11/2018	8,500,000
FHLB BOND	313383GR6	06/12/2018	10,000,000
FHLB BOND	313383BD2	06/13/2018	10,000,000
FHLB BOND	313383EP2	06/20/2018	11,000,000
			2,248,893,000

EXHIBIT G
Permitted Investments

Hawaii Revised Code §36-21

(a) The director of finance may invest any moneys of the State which in the director's judgment are in excess of the amounts necessary for meeting the immediate requirements of the State and where in the director's judgment the action will not impede or hamper the necessary financial operations of the State in:

- (1) Any bonds or interest-bearing notes or obligations:
 - (A) Of the State (including state director of finance's warrant notes issued pursuant to chapter 40);
 - (B) Of the United States;
 - (C) For which the faith and credit of the United States are pledged for the payment of principal and interest;
- (2) Federal Farm Credit System notes and bonds;
- (3) Federal Agricultural Mortgage Corporation notes and bonds;
- (4) Federal Home Loan Bank notes and bonds;
- (5) Federal Home Loan Mortgage Corporation bonds;
- (6) Federal National Mortgage Association notes and bonds;
- (7) Student Loan Marketing Association notes and bonds;
- (8) Tennessee Valley Authority notes and bonds;
- (9) Securities of a mutual fund whose portfolio is limited to bonds or securities issued or guaranteed by the United States or an agency thereof or repurchase agreements fully collateralized by any such bonds or securities;
- (10) Securities of a money market mutual fund that is rated AAA, or its equivalent, by a nationally recognized rating agency or whose portfolio consists of securities that are rated as first tier securities by a nationally recognized statistical rating organization as provided in 17 Code of Federal Regulations section 270.2a-7;
- (11) Federally insured savings accounts;
- (12) Time certificates of deposit;
- (13) Certificates of deposit open account;
- (14) Repurchase agreements with federally insured banks, savings and loan associations, and financial services loan companies;
- (15) Student loan resource securities including:
 - (A) Student loan auction rate securities;
 - (B) Student loan asset-backed notes;
 - (C) Student loan program revenue notes and bonds; and
 - (D) Securities issued pursuant to Rule 144A of the Securities Act of 1933, including any private placement issues; issued with either bond insurance or overcollateralization guaranteed by the United States Department of Education; provided all insurers maintain a triple-A rating by Standard & Poor's, Moody's, Duff & Phelps, Fitch, or any other major national securities rating agency;
- (16) Commercial paper with an A1/P1 or equivalent rating by any national securities rating service; and
- (17) Bankers' acceptances with an A1/P1 or equivalent rating by any national securities rating service; provided that the investments are due to mature not more than five years from the date of investment. Income derived from those investments shall be a realization of the general fund; provided that income earned from moneys invested by the general funds, special funds, bond funds, and trust and agency funds on an

investment pool basis shall be paid into and credited to the respective funds based on the contribution of moneys into the investment pool by each fund. As used in this section, "investment pool" means the aggregate of state treasury moneys that are maintained in the custody of the director of finance for investment and reinvestment without regard to fund designation.

(b) Except with respect to an early withdrawal penalty on an investment permitted by this section, the amount of such penalty being mutually agreed at the time of acquisition of such investment, no investment permitted by this section shall require or may in the future require payments by the State, whether unilateral, reciprocal, or otherwise, including margin payments, or shall bear interest at a variable rate which causes or may cause the market price of such investment to fluctuate; provided that such limitation shall not apply to money market mutual funds which:

- (1) Invest solely in:
 - (A) Direct and general obligations of the United States of America; or
 - (B) Obligations of any agency or instrumentality of the United States of America the payment of the principal and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America;
- (2) Are rated at the time of purchase "AAAm-G" or its equivalent by Standard & Poor's Ratings Group; and
- (3) Are open-end management investment companies regulated under the Investment Company Act of 1940, as amended, which calculate their current price per share pursuant to Rule 2a-7 (17 Code of Federal Regulations section 270.2a-7) promulgated under such act.

(c) Furthermore, the State shall not acquire any investment or enter into any agreement in connection with the acquisition of any investment or related to any existing investment held by the State, which would require or may in the future require any payment by the State, whether unilateral, reciprocal, or otherwise, such as swap agreements, hedge agreements, or other similar agreements. For purposes of this section, a swap or hedge payment is any payment made by the State in consideration or in exchange for a reciprocal payment by any person, such as a variable rate payment in exchange for a fixed rate payment, a fixed rate payment in exchange for a variable rate payment, a payment when a cap or a floor amount is exceeded, or other similar payment.

STATE OF HAWAI'I

Treasury Investment Policy

The purpose of this investment policy is to outline objectives, provide guidelines, and set forth responsibilities and reporting procedures for the investment of cash held in the State of Hawai'i Treasury.

I. Governing Authority

Legality

The investment program shall be operated in conformance with federal, state, and other legal requirements, including Chapters 36 and 38, Hawaii Revised Statutes.

II. Scope

This policy applies to the investment of all State funds within the State Treasury administered by the Department. Proceeds from certain bond issues, as well as separate foundation or endowment assets, may be covered by a separate policy.

This policy may be more restrictive than the governing statutes authorizing the investment program.

III. General Objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. *Safety*

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

a. Credit Risk

The State will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Section VII of this Investment Policy
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the State will do business in accordance with Section V
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

b. Interest Rate Risk

The State will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash

requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity

- Limiting the maturity of securities in the portfolio in accordance with Section VIII.3. of this policy.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

3. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- Liquidity needs of the portfolio require that the security be sold. Trading securities for the sole purpose of realizing trading profits is prohibited.
- A trade aligned with the investment policy strategy for the State's funds that would enhance the credit quality, yield, or target duration of the portfolio.

4. Local Considerations

Where possible, funds may be invested for the betterment of the local economy or that of local entities within the State. The State may accept a proposal from an eligible institution which provides for a reduced rate of interest provided that such institution documents the use of deposited funds for community development projects.

IV. Standards of Care

1. Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The "prudent person" standard states that, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence

exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

2. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the State.

3. Delegation of Authority

In accordance with Sections 36-1 and 36-21, HRS, the responsibility and authority for maintaining and managing the State treasury and safekeeping of all moneys in the treasury and investment thereof, resides with the state Director of Finance. Management responsibility for the overall investment program lies with the Director of Finance, who shall establish procedures for the operation of the investment program.

Authority to manage the investment program is granted to the Administrator of the Financial Administration Division, Department of Budget and Finance, hereinafter referred to as "investment officer."

Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Such procedures shall include explicit delegation of authority to employees responsible for investment transactions. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

V. Authorized Financial Institutions, Depositories, Broker/Dealers and Investment Advisers

1. Authorized Financial Institutions, Depositories, Broker/Dealers and Investment Advisers

A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by creditworthiness. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions, broker/dealers and investment Advisers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital

- adequacy guidelines
- Proof of FINRA (Financial Industry Regulatory Authority) certification
- Proof of state registration
- Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties)
- Certification of having read and understood and agreeing to comply with the State's investment policy.
- Fully executed contract for services with the Department of Budget and Finance.
- Evidence of adequate insurance coverage.

An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer.

All Financial Institutions, Broker/Dealers and Investment Adviser(s) authorized to do business with the state, shall submit a written certification to the Director of Finance annually, stating that they are in compliance with Section V of this Investment Policy.

All Financial Institutions, Broker/Dealers and Investment Adviser(s) authorized to do business with the state will notify the Director of Finance immediately in the event of any known exception to this Investment Policy.

2. Qualification of Banks and Financial Institutions

Banks and financial institutions authorized to do business with the State should meet the following qualifications:

- a. Any bank doing business in Hawai'i or a top 50 U.S. bank ranked according to total assets.
- b. Be a member of the Federal Deposit Insurance Corporation (FDIC).
- c. Banks doing business outside of the State must have had positive net income each of their past three fiscal years.
- d. Banks doing business outside of the State need to be considered Well Capitalized as defined by the FDIC.

Banks meeting these qualifications are qualified to conduct investment business with the State, including accepting deposits, buying and selling other investments, and safekeeping securities.

Banks which do not meet the qualifications stated above may conduct investment business with the State on written approval of the Director of Finance.

3. Qualification of Broker/Dealers

Securities broker/dealers authorized to do business with the State should meet the following qualifications:

- a. Be among the 50 largest securities brokers/dealers in the U.S. ranked by capital.
- b. Have at least five years of business operations.

- c. Have capital in excess of the early warning level established by the Securities and Exchange Commission and the New York Stock Exchange.
- d. Provide proof of FINRA certification.
- e. Evidence of required insurance coverage.

The State may contract with approved broker/dealers who meet the qualifications above. These institutions may buy and sell investments on behalf of the State, and may act as a safekeeping agent for State securities. Broker/dealers who do not meet the qualifications stated above may conduct investment business with the State on written approval of the Director of Finance.

4. Qualification of Investment Advisers

Investment advisers authorized to do business with the State should meet the following qualifications:

- a. Have assets under management of at least \$20 billion of which at least \$1 billion is in individual fixed-income portfolios or \$1 billion is in local government investment pools.
- b. Be registered with Securities and Exchange Commission as a registered investment adviser.
- c. Qualify as an investment manager as that term is used in Section 3(38) of ERISA.

The State may contract with approved investment advisers who meet the qualifications above. Investment advisers meeting these qualifications have full authority and discretion to buy and sell securities on behalf of the State according to the objectives, policies and guidelines contained herein, and select brokers and dealers to affect the purchase and sale of securities, except that such investment adviser may not utilize an affiliated broker to effect such transactions. Investment Adviser firms which do not meet the qualifications stated above may conduct investment business with the State on written approval of the Director of Finance.

5. Notice to Financial Institutions, Broker/Dealers and Investment Advisers

All financial institutions, investment dealers and advisers conducting business with the State shall receive the following information and documents:

- a. A copy of the State's Investment Policy and the underlying investment and collateral statutes as covered in Section 36-21 and Chapter 38, HRS.
- b. A letter which describes the relationship the State is establishing with the financial institution, investment dealer or adviser. The letter will contain information, as indicated below, pertinent to the particular relationship:
 - Names and positions of State employees authorized to buy and sell investments on

behalf of the State.

- Names and positions of State employees authorized to wire or otherwise transfer funds out of State accounts.
- Names and positions of State employees authorized to make changes to the State's instructions regarding authority, delivery instructions, or other critical aspects of the relationship.
- Names and positions of State employees who shall be notified if the financial institution, investment dealer or adviser detects any activity that it believes may be irregular given its understanding of the State's investment policy and practices.
- Delivery instructions for investments and proceeds from maturities when no specific delivery instructions are given at the time of investment or maturity.

All documents described above (the Investment Policy, the investment statutes, and the letter describing the relationship) shall be sent to the appropriate financial institution, investment dealer and adviser initially and as revised. Financial institutions, investment dealers and advisers shall be immediately notified, both verbally and in writing, of a change in the status of any employee authorized to conduct investment business for the State with that institution.

VI. Safekeeping and Custody

1. Safekeeping

All institutions qualified to do business with the State by the conditions of this investment policy are authorized to hold investments in safekeeping in the U.S. on behalf of the State. All investments owned by the State will be held in safekeeping by a financial institution, Federal Reserve Bank, Federal Home Loan Bank or investment dealer so qualified.

2. Internal Controls

The investment officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft or misuse. Details of the internal controls system shall be documented in an investment procedures manual and shall be reviewed and updated annually. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls structure shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members

- Confirmation of transactions for investments and wire transfers
- Dual authorizations of wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian

Accordingly, the investment officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures or alternatively, compliance should be assured through the State's annual independent audit.

VII. Authorized Investments

1. *Investment Types*

The following describes allowable securities in accordance with Section 36-21, HRS. The allowable securities shall be denominated in United States (U.S.) dollars.

1. State of Hawaii securities.
2. U.S. Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest.
3. U.S. government sponsored enterprises (GSE) obligations - Limited to Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Corporation.
4. Student Loan resource securities maintaining a Triple-A rating by a nationally recognized statistical rating organization (NRSRO) including:
 - a. Auction rate securities
 - b. Asset backed securities
 - c. Program revenue notes and bonds

IMPORTANT NOTE: as of February 2008, future investments in student loan auction rate securities are prohibited.

5. Certificates of Deposit issued by financial institutions meeting the following criteria:
 - a. Be issued by an institution or organization qualified to do business with the State as set forth in "Qualifications" Section V of this policy.
 - b. Must adhere to the collateral requirements of the State as described in Section 38-3, HRS and execute an agreement for safekeeping of securities to protect investments.
 - c. Execute an Agreement for Safekeeping of Securities Deposited, with the State.

6. Money Market Funds must:
 - a. Invest solely in (i) direct and general obligations of the United States of America or (ii) obligations of any agency or instrumentality of the United States of America the payment of the principal and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America,
 - b. Be rated at the time of purchase AAAm or its equivalent by a NRSRO, and
 - c. Be open-end management investment companies regulated under the Investment Company Act of 1940, as amended, which calculate their current price per share pursuant to Rule 2a-7 (17 Code of Federal Regulations section 270.2a-7) promulgated under such act. Must be managed by financial institutions, investment advisor or securities dealer qualified to do business with the State as set forth in Section V.
7. Repurchase Agreements (REPOs) issued by financial institutions or securities dealers meeting the following criteria:
 - a. Be issued by an institution or organization qualified to do business with the State as set forth in "Qualifications" Section V of this policy.
 - b. Must be secured by U.S. Treasury and Federal Agency obligations having a market value of no less than 102% of the repo amount and execute an agreement for safekeeping of securities to protect investments.
 - c. Execute a Master Repurchase Agreement with the State.
8. Commercial Paper issued by financial institutions rated a minimum of A1/P1 or equivalent by a NRSRO.
9. Bankers' Acceptances issued by financial institutions rated a minimum of A1/P1 or equivalent by a NRSRO.

Maximum limits on sector and issuer are included in Appendix A of this Policy.

IMPORTANT NOTE: If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Investment Officer shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. The Investment Officer will apply the general objectives of safety, liquidity, yield and legality to make the decision.

2. *Prohibited Investments*

The following types of investments are prohibited: investment in split-rated securities where there is a difference between the ratings on the principal component and interest component of a bond issue; investment in leveraged securities where the principal or interest received may be a multiple of the principal amount or of the interest coupon if certain conditions are met; investment in bonds where the coupon is dependent on the level of equity market

performance or currency exchange rates.

3. Collateralization

Section 38-3, HRS describes collateral requirements for public funds. In accordance with statutes and GFOA Recommended Practices on the Collateralization of Public Deposits, full collateralization will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit.

To fully secure state funds, the market value of pledged collateral must equal or exceed the deposit amount plus accrued interest. For purposes of determining the sufficiency of collateral, the market value of collateral will be equal to the lesser of the market value of the collateral based on reputable pricing sources or its par value.

Margins have been established for each type of collateral based on the potential variability of market values, availability of accurate pricing and interest rate risk. The following valuations will apply for each type of permitted collateral. Collateral is listed in the order that it appears in HRS 38-3:

- a. Obligations of the State and Counties of Hawaii: 90%
- b. Obligations of agencies of the State or Counties of Hawaii: 90%
- c. Obligations of improvement districts or frontage improvement of any County of Hawaii: 85%
- d. United States Treasury Securities: 95%
- e. United States Government Sponsored Enterprise Securities: 95%
- f. Warrants of the State of Hawaii: 100%
- g. State Municipal Obligations: 90%
- h. City and County Municipal Obligations: 90%
- i. Certificates of Deposit issued through Certificate of Deposit Account Registry Services (CDARS): Not accepted as collateral.
- j. Assets eligible to secure advances from the Federal Reserve Banks under the regulations of the Federal Reserve Board: 85%

Banks will maintain mandated collateral levels at all times. If the value of the pledged collateral falls below the specified requirements, the bank will provide additional collateral within 48 hours to meet the collateral requirements.

Pledged collateral must maintain a long-term rating of single-A or better by all NRSROs that rate the issuer.

IMPORTANT NOTE: If the long-term credit rating of a pledged security is

subsequently downgraded below A, the security shall be replaced with compliant collateral within 48 hours.

VIII. Investment Parameters

1. Pooling of Funds

Except for cash in certain restricted and special funds, it is the policy of the State to consolidate cash and reserve balances from all funds to optimize investment earnings (while evaluating in priority order, safety, liquidity and yield) and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation in the State's centralized investment pools and in accordance with generally accepted accounting principles.

2. Diversification

It is the policy of the State to diversify its investment portfolios. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all State funds shall be diversified by maturity, issuer, and class of security. Diversification strategies shall be determined and revised periodically by the investment officer for all funds (except for the employee retirement fund).

In establishing specific diversification strategies, the following general policies and constraints shall apply: Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity.

For short term investment of funds:

- Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments or marketable U.S. Treasury bills.
- Positions in securities having potential default risk (e.g., commercial paper) shall be limited in size so that in case of default, the portfolio's annual investment income will exceed a loss on a single issuer's securities.
- The investment officer shall establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than repurchase agreements, Treasury bills or collateralized certificates of deposit, and shall conduct an annual review of these guidelines, evaluating the probability of market and default risk in various investment sectors as part of its considerations. See Appendix A (Diversification Guidelines).

3. Maximum Maturities

To the extent possible, the State shall attempt to match its investments with anticipated cash flow requirements. The following maturity guidelines will apply to individual investment transactions and to the portfolio as a whole.

- Individual security maturities, as well as the maturity dates for any underlying

securities, shall not exceed five years (from the trade settlement date) in accordance with Section 36-21, HRS.

- Each investment will be made with the intention of holding the investment to maturity, subject to any of the exceptions outlined in Section III.3. of the Policy.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

4. *Prohibition Against Speculative Activities*

- This policy specifically prohibits borrowing funds for the sole purpose of leveraging the portfolio.
- This policy prohibits the State from engaging in any investment activity that would be considered speculative according to the principles of conservative investment management.
- Section 36-21, HRS, prohibits investments in selected derivative-like products.

5. *Competitive Bids*

The investment officer shall obtain and document competitive bids from at least two brokers or financial institutions on all purchases of investment instruments purchased on the secondary market.

If the State utilizes an external investment adviser, the investment adviser is authorized to transact with its own approved broker/dealer list. The use of the investment advisors approved broker/dealer list is subject to approval by the State. The adviser will perform all due diligence for the broker/dealers on its approved list.

IX. Reporting

1. *Methods for Internal Reporting*

The investment officer shall prepare an investment report at least quarterly, to the Director of Finance. The report shall contain the following information:

1. Inventory of portfolio investments as of the date of the report, which includes: dollar amount, purchase and maturity dates, coupon rates, type of investment, and accounting fund classification, along with the percentage mix of the portfolio by type of investment.
2. Distribution of investment portfolio maturities as follows:
 - a. Six (6) months or less;

- b. Greater than six (6) month to one (1) year;
 - c. Greater than one (1) year to three (3) years;
 - d. Greater than three (3) years to (5) years;
 - e. Greater than five (5) years.
3. Notations, which shall include the amounts and reasons for any exceptions to the investment policy.
 4. Status of any investments that might require management attention (such as investments affected by a credit rating change, or similar circumstances that could have an effect on the value and liquidity of the investment).
 5. A management summary that will describe the status of the portfolio. The management summary should be presented in a manner that will allow the Director of Finance to determine whether investment activity during the month being reported on has adhered to this investment policy.

2. External Reporting

The investment adviser(s), if applicable, will provide monthly reports of its management of the account assets and will meet in person with the investment officer and Director of Finance at least annually.

The Investment Adviser(s) or professional firm providing any external reporting, will notify the Director of Finance immediately in the event of any known exception to this Investment Policy.

3. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.

4. Market Value

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed. In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

X. Policy Considerations

1. Policy Exceptions

This policy provides guidelines for the management of the short-term investment portfolio. Under some circumstances, investment transactions that are appropriate for the State and entirely within the spirit of this investment policy as described in the General Objectives section may not fall within the prescribed quantitative guidelines contained in this policy.

When the investment officer determines that an investment transaction is in the best interest of the State and is consistent with the objectives of this investment policy, the transaction is permitted even though it may not be consistent with the quantitative guidelines, subject to the following controls:

- Exceptions shall be approved by the investment officer. The investment officer shall have the authority to approve exceptions of up to 10% above the limit guidelines outlined in Appendix A (Diversification Guidelines) of the investment policy. The Investment Officer shall approve exceptions prior to the investments being made. However, it shall be understood that fluctuations in the daily investment balances, early redemption(s) of certain securities, etc. may result in exceptions to the investment policy subsequent to investments being made.
- Significant exceptions, those in excess of the amounts authorized above, shall be approved by the Director of Finance.
- Inadvertent breach of the policy shall be immediately reported to the Director of Finance.

2. *Exemption*

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

3. *Amendments*

This policy shall be reviewed on an annual basis to ensure that it remains consistent with the overall objectives of the State and within current financial trends. The policy may be reviewed and updated more frequently if conditions dictate. Any changes must be approved by the Director of Finance.

XI. Approval of Investment Policy

The investment policy shall be formally approved and adopted by the Director of Finance and reviewed at a minimum, on an annual basis.

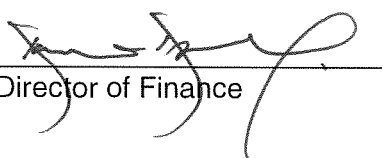
Appendix A – Diversification Guidelines

1. By depository as defined in Section 38-1 HRS: No more than 60% of Treasury deposits shall be deposited in any one depository, as described in Section 38-2, HRS.
2. By types of investment instruments (as a percentage of total invested funds):
 - a. U.S. Treasuries: No limit
 - b. Repurchase Agreement: Up to 50%
 - c. Certificate of Deposits: 50%
 - d. U.S. Government Sponsored Enterprises, Federal Agencies: Up to 75%
 - e. Money Market Funds: Up to 10%
 - f. Commercial Paper: Up to 10%
 - g. Bankers Acceptances: Up to 10%

Note: Currently held auction rate securities in excess of policy guidelines, upon maturity shall be reinvested only as provided by this policy.

3. By issuer of investment instrument (as a percentage of total type of investment)
 - a. U.S. Treasuries: No limit
 - b. Repurchase Agreement: Up to 60%
 - c. Certificate of Deposits: Up to 60%
 - d. U.S. Government Sponsored Enterprises, Federal Agencies: Up to 75%
 - e. Money Market Funds: Up to 3% per fund
 - f. Commercial Paper: Up to \$50 million per issuer
 - g. Bankers Acceptances: Up to \$50 million per issuer

This State of Hawai'i Treasury Investment Policy (revision dated May 30, 2013) has been reviewed and approved:



Director of Finance

6.17.13

Date

EXHIBIT H
Cigarette Tax Stamp Inventory and Distribution Specifications

1. BACKGROUND

Chapter 245, Hawaii Revised Statutes (HRS), authorizes the Department of Taxation (DOTAX) to administer the State's Cigarette Tax and Tobacco Tax Law. Chapter 245, Part II, establishes the cigarette tax stamp system for imposition of the tax.

2. BANK FACILITIES REQUIRED

The CONTRACTOR must provide facilities at its banking office or adequately secured support facilities for the storage, safekeeping, and sale of cigarette tax stamps to conveniently serve the needs of the DOTAX and the distributors. There is a concentration of business at centers of population, and a large share of the sales will be made to relatively few distributors at these population centers. If required during the term of the Contract, the DOTAX will have the right to request pick up of stamps at any branch of the CONTRACTOR's banking offices located on the islands of Oahu, Maui, Kauai and Hawaii.

3. FREQUENCY OF STAMP PURCHASES

Licensed distributors purchase stamps at various intervals. Some licensed distributors purchase stamps two or three times per month, while other licensed distributors may purchase stamps daily.

4. DETAILS OF STAMP TRANSACTIONS

4.1 The DOTAX has contracted with a manufacturer who supplies the stamps directly to the CONTRACTOR as ordered at locations and in quantities as may be specified by the DOTAX. Thus, the stamps are made available to the CONTRACTOR without cost. Stamps are sold in rolls containing 15,000 stamps for application to packages of cigarettes. The stamps are packed in cases containing 36 rolls. Stamp shipment to the CONTRACTOR will be in the amount not to exceed \$20 million at any time and the CONTRACTOR's inventory will not exceed \$20 million at any time.

Monthly payments for CONTRACTOR's services (distribution of stamps and destruction of old inventory) will be received 30 days after receipt of invoice. Invoicing will be in arrears.

4.2 The CONTRACTOR is not liable for the manufacturer's performance regarding the quality of the stamps. The DOTAX assumes the responsibility to order the stamps from the manufacturer in a timely fashion.

4.3 Distributors will purchase stamps by calling the CONTRACTOR's voice response unit (VRU) that will be operational 24 hours a day, seven (7) days a week, to place an order. If the VRU is not operational, the

CONTRACTOR will provide an alternative purchasing mechanism to the distributors that has been approved by DOTAX. Based on the instructions received, the CONTRACTOR will deliver the stamps through its existing delivery mechanism to the office of the CONTRACTOR that has been designated by the distributor. The CONTRACTOR shall have stamps available for distributors (at designated branch locations) within two business days of receipt of the order. This standard applies to stamps sold in the State of Hawaii.

- 4.3.1 For distributors who purchase stamps and are located out of the State of Hawaii, the CONTRACTOR will deliver the stamps through a carrier who insures the value of the stamps. The CONTRACTOR may elect to use an uninsured carrier provided the CONTRACTOR assumes financial responsibility for the stamps if lost in shipment.
- 4.4 The CONTRACTOR shall not impose a requirement that a licensee purchasing stamps be required to open an account with the CONTRACTOR, pursuant to Section 18-245-12 of the Hawaii Administrative Rules.

5. REPORTING REQUIREMENTS

- 5.1 Each licensed distributor is expected to provide the CONTRACTOR with a signature card and/or electronic password/authentication and to obtain all of his or her stamp requirements from the CONTRACTOR as directed by the DOTAX. The CONTRACTOR may only accept stamp orders with authorized signatures/electronic authentication. Order forms, which may be used in the event that the VRU is inoperative, will be supplied by the DOTAX to the CONTRACTOR who distributes the forms as required to the distributors.
- 5.2 Payments for cigarette tax stamp purchases may be made by cash, business checks, certified checks, cashier checks drawn on local banks, direct charge to the distributor's account with the CONTRACTOR, or wire transfers for cash sales or for remittances for deferred payment purchases as provided in Chapter 245, Hawaii Revised Statutes.
- 5.3 The CONTRACTOR bears no risk in the negotiability or genuineness of the instruments presented to pay for the stamps. Deferred payment purchases are subject to the maximum limits authorized in writing by the DOTAX for each licensed distributor. Sales are made at the denominated values of the stamps plus a stamp fee as provided for in Section 245-26, HRS. At the time of the sale the CONTRACTOR shall endorse the order, returning one copy thereof to the distributor and retaining one copy for the CONTRACTOR's records.
- 5.4 The DOTAX will notify the CONTRACTOR in writing, via facsimile or electronic mail, with hard copy to follow within five (5) business days, of licensed distributors whose privilege to purchase on a deferred payment basis has been suspended. The CONTRACTOR shall deny any licensed distributor whose privilege to purchase on a deferred payment

basis has been suspended the right to purchase stamps on such a basis and will require the licensed distributor to purchase stamps by other authorized means.

- 5.5 Payments for stamp purchases shall be deposited by the CONTRACTOR daily to an account specified by the DOTAX. At the close of business each day, the CONTRACTOR shall prepare and forward to the DOTAX the following: (a) a deposit slip in quadruplicate, or an alternative report provided electronically, covering the day's receipts for cash sales and for payments made for stamps purchased on the deferred payment basis; (b) a reconciliation of deposited amounts for that day; (c) the originals of all purchase orders or an equivalent report provided by the automated ordering system filled during the day covering purchases of tax stamps made on both a cash basis and on the deferred payment basis; and (d) the original copy of each Receipt for Payment of the Deferred Payment Purchase for payments received that day.
- 5.6 Sales made on the deferred payment basis are for a calendar month. A ledger record of each distributor's deferred payment purchases for the month shall be prepared by the CONTRACTOR and forwarded to the DOTAX on the first business day of the next calendar month. Additional reporting as required to keep and maintain distributors on the deferred purchase and payment plan current is the responsibility of the CONTRACTOR.
- 5.7 At the close of each calendar month, each of the CONTRACTOR's offices making stamp sales shall prepare and forward to the DOTAX a stamp inventory statement showing: (a) the amount on hand at the beginning of the month; (b) additions to inventory; (c) releases through sale; and (d) intra-bank transfers. The CONTRACTOR must take a physical inventory of the number of stamps at hand at the close of every month. The report of activity for the month by island and consolidated (statewide) outlining amounts on hand at the beginning of the month, additions to inventory, releases through sale, and ending inventory is due on the third business day of the next calendar month. Detail inventory certification reports by location, island, and consolidated statewide are due by the fifth business day of the next calendar month.
- 5.7 The CONTRACTOR shall maintain a database covering transactions for the prior three year period which will include the following information:
- (a) The amount of stamps sold to each distributor;
 - (b) The serial numbers of the stamps sold to each distributor; and
 - (c) The date on which the stamps were sold.
- The CONTRACTOR will provide a monthly transaction report addressing the requirements (a) through (c) as noted above. Additionally, as requested, the CONTRACTOR shall provide the preceding information identified in items (a) through (c) to the DOTAX so that the DOTAX will be able to verify the distributor's claims for stamp refunds.

6. FORMS FURNISHED BY THE DOTAX

The DOTAX furnishes, without cost to the CONTRACTOR, all of the forms required for reporting the transactions with respect to stamps. The only cost to the CONTRACTOR is that represented by the storage and safekeeping of the stamps, the preparation of the reports with respect thereto, and the proper supervision and processing of the transactions.

7. THE STATE SHALL BE SAFEGUARDED AGAINST LOSS

7.1 The CONTRACTOR shall take appropriate steps to safeguard the STATE against loss in connection with the handling of the stamps and shall keep accurate records of the stamp inventory. The CONTRACTOR agrees that it shall handle the tax stamps with the degree of care exercised in the banking business in the handling of cash and negotiable securities. The STATE is authorized to audit the bank records pertaining to the handling of the stamps and to verify the inventory of stamps during normal business hours. All records must be preserved for a period of not less than five years unless the STATE authorizes in writing their destruction within a lesser period.

7.2 The CONTRACTOR shall bear the risk of loss for stamps identified on the bill of lading accompanying the delivery ONLY if the stamps are lost or stolen after acceptance. In the event that the stamps are damaged (e.g., due to structural damage of building and/or storage area) the CONTRACTOR will be responsible ONLY for the replacement cost of the stamp, not the full revenue value to the State of Hawaii. As used in this provision, the term "risk of loss" shall mean the CONTRACTOR is responsible for the full revenue value (including the stamp fee provided for in Section 245-26, HRS), to the DOTAX of Hawaii of any lost or stolen stamps, plus the replacement costs of the stamps, which the CONTRACTOR has received and accepted from the stamp manufacturer's shipper. Within one business day from the signing the bill of lading the CONTRACTOR must notify the DOTAX and the Department of the Attorney General in writing, via fax, or e-mail, of any discrepancy between the quantity of stamps identified on the bill of lading and the quantity of stamps the CONTRACTOR has physically verified to have been received in the delivery.

7.3 In the event stamps are lost or stolen the following people will be notified within one business day:

7.3.1 Taxpayer Services and Processing Division Chief, Ph. (808) 587-1460, Fax (808) 587-1488;

7.3.2 Taxpayer Services Branch Chief, Ph. (808) 587-3267, Fax (808) 587-1488; and

7.3.3 Department of the Attorney General, Tobacco Enforcement Unit, Ph. (808) 586-1203, Fax (808) 586-0932

7.4 In addition, the CONTRACTOR shall be accountable for the stamps sold and the physical inventory, to the end that the CONTRACTOR

shall deposit to the account of the STATE sufficient funds to cover any shortage the CONTRACTOR has verified and posted to the CONTRACTOR's records. Any shortages discovered by the CONTRACTOR shall be reported to the DOTAX and the Department of the Attorney General within one business day. Accountability of stamps distributed will be transferred to the distributor's carrier. Should the stamps be lost or stolen while under the control of the distributor's carrier, the CONTRACTOR and/or distributor must file a claim with the carrier.

- 7.5 The CONTRACTOR will not be responsible for the collection of amounts due on deferred payment amounts due and owing which are within the maximum limits established by the DOTAX. If the DOTAX establishes a maximum limit for a deferred payment plan and provides prior written notice of the maximum limit to the CONTRACTOR, the CONTRACTOR shall bear the risk of loss on amounts due that exceed the maximum limit. If the DOTAX reduces the maximum limit established for a deferred payment plan and provides prior written notice of the reduced maximum limit, the CONTRACTOR will not be responsible for collection of deferred payment amounts exceeding the reduced maximum limit, but allowed under the previous maximum limit; provided, however that if the deferred payment plan amounts due have been reduced to an amount equal or less than the revised lower maximum limit, the CONTRACTOR shall bear the risk of loss for amounts due that subsequently exceed the revised lower maximum limit.

8. THE STATE'S OBLIGATION AND CANCELLATION OF CONTRACT SECTION

In the event that Chapter 245, HRS, is repealed or amended in such manner that tax stamps are no longer required to be affixed to packages of cigarettes, the STATE may cancel the portion of the Contract relating to the Cigarette Tax Stamp Inventory and Distribution, and the STATE shall only be liable for those services performed prior to the date of cancellation.

9. REFUNDS

- 9.1 Distributors may return unused stamps with the required forms attached, to the CONTRACTOR. The CONTRACTOR will validate the stamps returned and will notate that validation on the forms presented. The forms will then be forwarded to the DOTAX for further processing of a refund check.
- 9.2 The CONTRACTOR shall not be responsible for any portion of the refunding process for destroyed stamps or stamps attached to products that have been returned or destroyed.
- 9.3 DOTAX shall provide the CONTRACTOR with procedures for the handling of any obsolete stamps held by the CONTRACTOR.

10. DEPARTMENT OF THE ATTORNEY GENERAL

10.1 The following services shall be provided to the Department of the Attorney General (Attorney General) to support their compliance efforts.

10.1.1 Upon request of the Attorney General, the CONTRACTOR shall make its offices open to inspection for the purposes of investigating stolen, missing or counterfeit stamps.

10.1.2 Upon request of the Attorney General, the CONTRACTOR shall make available any information required to be kept and maintained for the DOTAX.

11. NOTICE CHANGES IN DEFERRED PAYMENT LIMIT

The DOTAX will notify the CONTRACTOR, in writing, via facsimile or electronic mail, with hard copy to follow within five (5) business days, of any changes to a distributor's deferred payment limit. The change in the limit shall become effective at the beginning of the second business day following the CONTRACTOR's receipt of notice.

Notification should be sent to the DOTAX as follows:

Burt Nagayama, Licensing Section Supervisor

Facsimile: 808-587-1670

Email: Burt.a.nagayama@hawaii.gov

EXHIBIT I
Data Collection Center Requirements and Responsibilities

1. BACKGROUND

Section 231-9.9, Hawaii Revised Statutes (HRS), authorizes the Department of Taxation (DOTAX) to require taxpayers whose tax liability for one taxable year exceeds \$100,000 (\$40,000 for withholding taxes, per Section 232-62, HRS) to pay the taxes through electronic funds transfer (EFT). Offerors should refer to Hawaii Administrative Rules Chapter 18-231, Section 9, for more information.

The Hawaii Administrative Rules on the payment of taxes through EFT (which is set forth in EXHIBIT VI) identifies two ACH methods as acceptable for payment of taxes through EFT. The Administrative Rules name the ACH Debit method as the preferred method and the ACH Credit method as the alternative method. No other EFT method is acceptable. However, taxes that are paid via wire transfers are accepted by TAX.

There shall be established by the BANK a Data Collection Center (DCC) which collects and processes EFT information from taxpayers. The DCC shall process only those taxpayers that adopt the ACH Debit method. The BANK shall provide the staffing, equipment and office facilities to operate this unit.

A growing number of taxpayers have adopted the ACH Debit method which requires DCC processing. The amount of EFT transfer tax payments collected annually by the DCC is estimated at \$1.3 billion through 88,000 ACH transactions.

2. REQUIREMENTS AND RESPONSIBILITIES OF DEPARTMENT OF TAXATION (TAX)

2.1 Filing records of taxpayers will be reviewed and notices mailed to taxpayers who meet criterion for Payment by EFT.

2.2 Enrollment packets will be distributed to taxpayers who will be required to and who voluntarily choose to enroll in the EFT program. The packets will include the enrollment form and:

2.2.1 Calendar due dates.

2.2.2 Toll-free number for assistance and data collection.

2.2.3 Addenda information required.

2.2.4 Procedures for applying for exception to ACH Debit method or from EFT filing.

2.2.5 Other TAX related information.

2.3 Design and submit addendum record information using the CCD+ format of the TXP convention recognized by the ACH.

- 2.4 Resolve payment errors and other TAX related taxpayer problems.
 - 2.5 Resolve returned (debit) items.
 - 2.6 Prepare Treasury Deposit Receipts for ACH transfers made on behalf of TAX.
3. REQUIREMENTS AND RESPONSIBILITIES OF DATA COLLECTION CENTER (DCC)
- 3.1 Assist TAX with preparation of enrollment packets.
 - 3.2 Register TXP addendum record requirements with the ACH.
 - 3.3 Provide sufficient toll-free telephone lines for taxpayers to access the DCC. Provide the telephone number(s) to TAX for inclusion in the enrollment packets.
 - 3.4 Assist taxpayers in completing enrollment forms.
 - 3.5 Be responsible for enrollment.
 - 3.6 Provide for data collection activities by touch-tone telephone, modem, etc.
 - 3.7 Ensure that ACH Debit transactions are complete as to required information.
 - 3.8 Provide each payer with acknowledgement of the transaction(s).
 - 3.9 Maintain hours of operation to allow all taxpayers (in state as well as out of state) sufficient access time to successfully make timely payments. Service will not be required on STATE holidays.
 - 3.10 Initiate the payment transfer to the ACH for timely credit to the taxpayers' accounts.
 - 3.11 Provide production and backup systems that will ensure uninterrupted service during the stated hours of operation.
 - 3.12 Provide direct contact information for DOTAX Administration to the Electronic Processing Section for any situation relating to taxpayer payments, registration, errors, etc.
 - 3.13 Shall be subject to the same laws and sanctions with respect to confidentiality of tax returns and tax return information that apply to TAX employees.
4. REQUIREMENTS AND RESPONSIBILITIES OF BANK

- 4.1 Credit the account of the STATE on the day the ACH transfer is completed.
 - 4.2 Provide TAX with three copies of a receipted deposit slip or equivalent.
 - 4.3 Provide detailed written advice of returned items for identifying taxpayer, payment information, and reason for return.
 - 4.4 Provide TAX ACH payment information, including but not limited to TXP addenda record information, to account for and accompanying each deposit (see 4.2) in magnetic and/or paper media, or through electronic transmission.
 - 4.5 Provide TAX Fedwire payment information including, but not limited to, name of payee, date and amount of payment. Fedwire payments should be included in the receipted deposit slip in 4.2.
 - 4.6 Shall be subject to the same laws and sanctions with respect to confidentiality of tax returns and tax return information that apply to TAX employees.
 - 4.7 Provide TAX with an automated return process for ACH payments that have been received but need to be returned to the originator due to data that is incomplete and/or incorrect which prevents processing by automated applications.
5. HAWAII ADMINISTRATION RULES RELATING TO PAYMENT OF TAXES THROUGH ELECTRONIC FUNDS TRANSFER

(Refer to EXHIBIT VI)

EXHIBIT VI
Hawaii Administrative Rules (Department of Taxation)
Chapter 18-231, Section 9

§18-231-9.9-01 Payment of taxes through electronic funds transfer; scope of rules. Sections 18-231-9.9-01 to 18-231-9.9-11 implement section 231-9.9, HRS, relating to the payment of taxes by electronic funds transfer of taxes administered by the department of taxation. Section 231-9.9, HRS, and these rules apply notwithstanding any contrary provision in title 14, HRS, relating to the payment of taxes. [Eff 12/16/95] (Auth: HRS§231-3(9)) (Imp: HRS §231-9.9)

§18-231-9.9-02 Payment of taxes through electronic funds transfer; definitions. As used in sections 18-231-9.9-01 to 18-231-9.9-11:

“ACH” or “Automated Clearing House” means any federal reserve bank, or an organization established by agreement with the National Automated Clearing House Association, which operates as a clearing house for transmitting or receiving entries between banks or bank accounts, and which authorizes an electronic transfer of funds between the banks or bank accounts.

“ACH credit” means a transaction in which the taxpayer, through its own bank, originates an ACH transaction crediting the department’s bank account and debiting the taxpayer’s bank account for the amount of a tax payment.

“ACH debit” means a transaction in which the department, through its designated depository bank, originates an ACH transaction debiting the taxpayer’s bank account and crediting the department’s bank account for the amount of a tax payment.

“Addenda record” means that information required by the department in an ACH credit transfer or wire transfer, in approved electronic format. The approved electronic format is the TXP Banking Convention, used in the free form field of the National Automated Clearing House Association (NACHA) CCD+ entry.

“Bank” includes any financial institution described in section 241-1, HRS, that accepts deposits.

“Call-in day” means the day on which a taxpayer communicates payment information to the Data Collection Center.

“Call-in period” means the time interval specified by the Data Collection Center in each call-in day during which EFT payment information received by the Data Collection Center is processed for transactions occurring on the next business day.

“Data Collection Center” means the unit within the department, or a third party vendor under contract with the department or its designated bank, which collects and processes EFT payment information from taxpayers.

“Department” means the department of taxation.

“Due date” means the date on or before which a payment is required to be made by a taxpayer under a tax law of this state.

“Electronic Funds Transfer” or “EFT” means any transfer of funds initiated through an electronic terminal, telephone instrument, computer, magnetic tape, or other means approved by the department, so as to order, instruct, or authorize a financial institution to debit or credit an account using the methods specified in these rules.

EFT does not include transactions originated by checks, drafts, or similar paper instruments.

“Payment information” means the data which the department requires of a taxpayer making an EFT payment and which must be communicated to the Data Collection Center.

“Payor” means the taxpayer.

“Payor information number” means a confidential code assigned to each taxpayer which uniquely identifies the payor and allows the payor to communicate payment information to the Data Collection Center.

“Tax type” means a tax administered by the department which is subject to EFT. The tax types for which taxpayers will be required to pay by EFT are as follows:

- (1) Net income tax under chapter 235, HRS, which includes estimated tax;
- (2) Withholding tax on wages under chapter 235, HRS;
- (3) General excise and use taxes under chapters 237 and 238, HRS;
- (4) Transient accommodations tax under chapter 237D, HRS;
- (5) Public service company tax under chapter 239, HRS;
- (6) Franchise tax under chapter 241, HRS;
- (7) Fuel tax under chapter 243, HRS;

(8) Liquor tax under chapter 244D, HRS;

(9) Tobacco tax under chapter 245, HRS; and

(10) Rental motor vehicle and tour vehicle surcharge tax under chapter 251, HRS.

"Taxpayer" includes an individual, a trust, estate, partnership, association, company, or corporation; provided that an affiliated group of domestic corporations filing a consolidated return pursuant to section 235-92, HRS, shall be considered one taxpayer.

"Threshold amount" means the amount a payment made by a taxpayer for a tax type must equal or exceed for the taxpayer to be required to use EFT when making payments for the tax type. The threshold amount is set forth in section 18-231-9.9-03(a).

"Trace number" means the verification code provided by the Data Collection Center upon receipt of all payment information from the payor which uniquely identifies the completed communication of payment information. [Eff 12/16/95] (Auth: HRS §231-3(9)) (Imp: HRS §231-9.9)

§18-231-9.9-03 Taxpayers subject to the EFT program. (a) A taxpayer whose liability for any tax type was more than \$100,000 in any one taxable year shall be required to participate in the EFT program upon notification by the department that the taxpayer is required to participate. A taxpayer who is required to participate shall participate for a minimum of one year.

(1) The department shall excuse from participation any taxpayer that demonstrates that it did not meet the liability threshold set forth in this subsection in its prior taxable year.

(2) The department may excuse from participation any taxpayer that demonstrates undue hardship from being required to participate in the EFT program. As used in this paragraph, undue hardship means more than an inconvenience to the taxpayer; it must appear that substantial financial loss will result.

(b) Any taxpayer that is not required to participate in the EFT program may apply to participate in the EFT program, and any taxpayer that is required to participate in the EFT program with respect to one or more tax types may apply to participate in the program with respect to any other tax types. A taxpayer who applies to participate and who is accepted by the department shall participate for a minimum of one year.

(1) Written requests for voluntary inclusion in the EFT program shall be filed with the department at least two months before the due date of the first payment to be made by EFT.

(2) A taxpayer may terminate voluntary participation by filing a written notice of termination with the department at least two months before the due date of the last EFT payment to be made.

(c) The department shall contact any taxpayer selected for the EFT program at its address on file with the department. Once selected for the EFT program with respect to a tax type, the taxpayer shall transmit all periodic payments for that tax type by EFT. Annual reconciliation returns for that tax type shall be filed, and any required remittance shall be made, in the same manner as if the taxpayer were not in the EFT program. [Eff 12/16/95] (Auth: HRS §231-3(9)) (Imp: HRS §231-9.9)

§18-231-9.9-04 Payor information. (a) A taxpayer selected to participate in the EFT program shall file an authorization for EFT using the ACH debit method, or shall apply for permission to use the ACH credit method or any other EFT method, on forms prescribed by the department. The forms shall be filed with the department at least two months before the due date of the first payment to be made by EFT.

(b) Upon receipt of payor information, the Data Collection Center shall assign a confidential payor identification number directly to the taxpayer to be used by the taxpayer when communicating payment information to the Data Collection Center. If the taxpayer's payor information is timely filed with the department under subsection (a), the payor identification number shall be provided to the taxpayer before the first required payment is due under the EFT program.

(c) A taxpayer shall provide at least one month written notice of any change of information required with the EFT authorization form by submitting a revised form to the department. [Eff 12/16/95] (Auth: HRS §231-3(9)) (Imp: HRS §231-9.9)

§18-231-9.9-05 Methods of EFT. (a) A taxpayer participating in the EFT program shall utilize the ACH debit method unless the department permits the taxpayer to utilize another EFT method.

(b) A taxpayer desiring to use the ACH credit method or any other EFT method shall apply to the department for permission to do so, and the department may grant permission for good cause shown. A taxpayer who is already using the ACH credit method to pay vendors, or is already successfully using the ACH credit method to pay taxes to other states, shall be deemed to have shown good cause to use the ACH credit method.

(c) Permission to use the ACH credit method or other EFT method described in subsection (b) shall

be conditioned upon the taxpayer's agreement to provide payment information to the Data Collection Center as provided in these rules, and to bear all costs of that method (including any receiving fee charged to the department or to the state treasury).

(d) The Department may require a taxpayer to use the ACH debit method, and may revoke any permission given to that taxpayer to use any other EFT method, if the taxpayer:

- (1) Does not consistently transmit error-free payments;
- (2) Substantially varies from the requirements and specifications of these rules;
- (3) Repeatedly fails to make timely EFT payments or timely provide payment information; or
- (4) Repeatedly fails to provide the required addenda record with the EFT payment. [Eff 12/16/95]

(Auth: HRS §231-3(9)) (Imp: HRS §231-9.9)

§18-231-9.9-06 Communication with Data Collection Center. A taxpayer participating in the EFT program shall communicate payment information to the Data Collection Center through:

- (1) Operator-assisted communication of payment information made orally by rotary or touch-tone telephone;
- (2) Communication of payment information by way of a computer with a modem; or
- (3) Such other means of communication as the Data Collection Center may permit with the approval of the department. [Eff 12/16/95] (Auth: HRS §231-3(9)) (Imp: HRS §231-9.9)

§18-231-9.9-07 Payment transmission, errors and omissions; penalties. (a) A taxpayer which transmits an incorrect payment amount to the Data Collection Center shall, on the nearest business day to the date on which the error is discovered, contact the department for specific instructions.

(1) If the taxpayer error involves an overpayment of tax, the taxpayer may either elect to have the overpayment applied against the liability for the next reporting period or apply for a refund under the provisions of the applicable tax law.

(2) If the taxpayer error involves an underpayment of tax, the taxpayer must make appropriate arrangements to initiate payment for the amount of the underpayment.

(b) If a taxpayer using the ACH debit method communicates payment information to the Data Collection Center after the call-in period on the business day before the due date, the payment shall be posted to the taxpayer's account on the next business day following the due date and shall constitute late payment.

(c) Except as otherwise provided in sections 18-231-9.9-01 to 18-231-9.9-11, failure to make a timely EFT payment shall result in assessment of appropriate penalties and interest, unless the failure is due to reasonable cause and not to neglect. See section 18-231-9.9-09 for examples of reasonable cause.

(d) If an EFT transfer is rejected by the taxpayer's financial institution, such as because of insufficient funds in the taxpayer's account, the department shall assess the processing fee authorized by section 40-35.5, HRS. [Eff 12/16/95] (Auth: HRS §231-3(9)) (Imp: HRS §§40-35.5, 231-9.9)

§18-231-9.9-08 Procedures for payment by EFT. (a) A taxpayer in the EFT program shall also file periodic and annual returns in the same manner as if the taxpayer were not in the EFT program. Instead of attaching a check or money order to the return, however, the taxpayer shall follow procedures established by the department to coordinate the EFT payment with the proper return. If a taxpayer participating in the EFT program desires to make a payment under protest within the meaning of section 40-35, HRS, the protest shall be filed with the tax return to which it applies, irrespective of when the EFT payment was authorized or made.

(b) The rules in this subsection apply to taxpayers using the ACH debit method.

(1) To assure the timely receipt of payment of tax, a taxpayer shall initiate the payment transaction with the Data Collection Center in time for the payment to be deposited to the state treasury on or before the appropriate due date. Thus, in general, the taxpayer shall report payment information to the Data Collection Center, by the approved means of communication, no later than the end of the call-in period on the business day before the due date of the payment.

(2) After establishing contact with the Data Collection Center, the taxpayer may communicate payment information for more than one tax type or tax period. However, the taxpayer must initiate payment information for each tax type and for each tax period for which a payment is due.

(3) A trace number will be issued at the conclusion of the communication of the payment information for each tax type and tax period. This number provides a means of verifying the accuracy of the recorded tax payment and serves as a receipt for the transaction.

(4) The department shall bear the costs of processing ACH debit method payments through the Data Collection Center.

Example: A taxpayer uses the ACH debit method to remit the March, 1996 payment of general excise and use tax. The taxpayer first determines that the total amount of tax due is \$12,345. Before the end of the call-in period on April 29, 1996, the taxpayer shall contact the Data Collection Center. After establishing contact, the taxpayer shall communicate to the Data Collection Center its payor identification number, tax type (general excise and use tax), document type (monthly return), payment amount (\$12,345), and tax period (March, 1996). At the end of the communication, the taxpayer will receive a trace number which will verify the accuracy of the recorded tax payment and serve as a receipt for the transaction. Payment information involving the ACH debit transfer will be electronically transmitted to the department on April 29, 1996, shortly after the expiration of the call-in period. The actual tax payment of \$12,345, however, will not be transferred to the state treasury until the following day, April 30, 1996. The taxpayer shall also file its monthly return in the normal manner, except that the taxpayer shall follow procedures established by the department to coordinate the EFT payment with the proper return, instead of attaching a check or money order to the return.

(c) The rules in this subsection apply to taxpayers using the ACH credit method or any other EFT method.
(1) Taxpayers who have been granted permission to use the ACH credit method or any other EFT method shall contact their own financial institutions and make arrangements to transfer the tax payment to the state treasury.

(2) The department shall not bear the costs for taxpayers to use the ACH credit method or any EFT method other than the ACH debit method.

(3) To assure the timely receipt of payment of tax, a taxpayer shall initiate the payment transaction with its financial institution in time for the payment to be deposited to the state treasury on or before the appropriate due date.

(4) Any ACH credit transfer or any other EFT must be accompanied by an addenda record, in the format specified by the department, which includes all of the information required by the department.

(5) If a taxpayer repeatedly fails to provide the department with the required addenda record, the department may require the taxpayer to use the ACH debit method.

Example: A taxpayer uses the ACH credit method to remit the March, 1996 payment of general excise and use tax. The taxpayer first determines that the total amount of tax due is \$12,345. At a time arranged between the taxpayer and the taxpayer's financial institution, the taxpayer provides the financial institution with the information necessary to initiate a transfer of the March, 1996 tax payment and an accompanying addenda record that will be posted to the state treasury on April 30, 1996. To be timely, the ACH credit transfer of March, 1996 general excise and use tax must be deposited to the state treasury as collected funds on or before April 30, 1996.

The taxpayer shall also file its monthly return in the normal manner, except that the taxpayer shall follow procedures established by the department to coordinate the EFT payment with the proper return, instead of attaching a check or money order to the return. [Eff 12/16/95] (Auth: HRS §231-3(9)) (Imp: HRS §231-9.9)

§18-231-9.9-09 Due date for EFT payment; reasonable cause for untimely payment. (a)

Taxpayers participating in the EFT program must initiate the transfer so that the amount due is deposited to the state treasury on or before the due date under the appropriate tax law. If the due date prescribed under the tax law falls on a Saturday, Sunday, or Hawaii state holiday, the payment shall be due on the next day that is not a Saturday, Sunday, or Hawaii state holiday. The occurrence of a federal holiday that is not a Hawaii state holiday, or a holiday observed by the state in which the taxpayer's financial institution is located, shall not be considered reasonable cause for untimely payment.

Example 1: X, a taxpayer participating in the EFT program for withholding taxes, is required to remit a payment of withholding taxes on or before May 10, 1997. X authorizes the EFT before the end of the call-in period on May 9, 1997. May 10, 1997 is a Saturday, so the transfer of funds is made on Monday, May 12, 1997. Because the payment is due on Monday, May 12, 1997, the EFT payment is timely.

Example 2: X, a taxpayer participating in the EFT program for withholding taxes, is required to remit a payment of withholding taxes on or before November 10, 1997. X authorizes the EFT before the end of the call-in period on November 10, 1997, because November 9, 1997, is a Sunday. The transfer of funds is made on Tuesday, November 11, 1997. Because the payment is due on Monday, November 10, 1997, the EFT payment is late.

Example 3: X, a taxpayer participating in the EFT program for withholding taxes, is required to remit a payment of withholding taxes on or before June 10, 1997. X authorizes the EFT before the end of the call-in period on June 9, 1997, a Monday. However, X's financial institution is closed on June 9, 1997, because

it is a holiday in the state in which that financial institution is located. Furthermore, June 11, 1997, is Kamehameha Day, a legal holiday observed in Hawaii. As a result, the transfer of funds is not made until Thursday, June 12, 1997. Because the payment is due on Tuesday, June 10, 1997, the EFT payment is late.

(b) The following shall be considered reasonable cause for failure to make a timely EFT payment:

- (1) The inability to access the EFT system on the required date because of a system failure beyond the reasonable control of the taxpayer;
- (2) The failure of the EFT system to properly apply a payment;
- (3) The failure of the EFT system to issue proper verification of receipt of payment information; or
- (4) The failure to make a timely payment was caused by an error made by the Data Collection Center, the state treasury, or the department.

(c) During the first six-month period a taxpayer is required to remit tax by EFT, the department may waive otherwise applicable penalties if the taxpayer demonstrates that:

- (1) A good faith effort to comply was made;
- (2) Circumstances beyond the taxpayer's reasonable control prevented compliance by the required date; or
- (3) A mistake or inadvertence prevented timely payment when the taxpayer attempted to correctly and timely initiate an EFT transaction. In determining whether to grant a waiver of penalties under this subsection, the department may consider the taxpayer's payment history, experience with EFT payments in this and other jurisdictions, and the taxpayer's prior compliance with these rules. [Eff 12/16/95] (Auth: HRS §231-3(9)) (Imp: HRS §§231-21, 231-9.9, 231-39)

§18-231-9.9-10 Penalties for use of an unauthorized payment method.(Reserved) {Eff 12/16/95}(Auth: HRS §231-3(9)) (Imp: HRS §231-9.9)

§18-231-9.9-11 Confidentiality agreement with Data Collection Center. Before being authorized by the department to undertake official duties as set forth in sections 18-231-9.9-01 to 18-231-9.9-11, the Data Collection Center shall agree that it shall be subject to the same laws regarding confidentiality of tax returns and tax return information that apply to employees of the department, including sections 235-116, 237-34, 237D-13, 238-13, 239-7, 241-6, 244D-13, 245-11, and 251-12, HRS. [Eff 12/16/95] (Auth: HRS §231-3(9)) (Imp: HRS §231-9.9)

EXHIBIT VII

SPECIFICATIONS FOR ACH PAYMENT OF TAXES AND TAXPAYER REFUNDS

1. The CONTRACTOR will provide capability to process and settle Automated Clearing House (ACH) transactions for payment of taxes and taxpayer refunds on behalf of the STATE. The STATE will provide the CONTRACTOR with a flat computer file containing the following information:
 - 1.1 Payee/payer.
 - 1.2 Payment Date.
 - 1.3 Dollar amount of the transaction.
 - 1.4 Payment or deposit type.
 - 1.5 Bank routing number.
 - 1.6 Bank account number.
 - 1.7 Description of transaction.
2. The CONTRACTOR must be able to accept this file via modem, the Internet, or other electronic connection, all under secured connections.
3. The CONTRACTOR, as part of their services, will perform at a minimum the following:
 - 3.1 Format the file received from the STATE into acceptable ACH format.
 - 3.2 Attach the appropriate ACH transaction codes.
 - 3.3 Include required processing information (header, footer, etc.) on the payment file.
 - 3.4 Hold the ACH payment file until the appropriate settlement date.
 - 3.5 Send the ACH payment file to the appropriate financial institutions on the payment date.
 - 3.6 Perform settlement activity with the appropriate banks for ACH file presented.
 - 3.7 Provide daily reports to reconcile bank activity from ACH transactions. If daily settlements of payments and deposits are done on a net basis, the ability to report daily activity on a gross basis showing payments, deposits, and return activity is required.
 - 3.8 Return item processing including reports that outline individual return items as well as the reason for the return. Transaction reports must clearly outline the originating department.
 - 3.9 Provide the STATE with automated return capabilities for transactions rejected or returned from decentralized locations.

EXHIBIT J
Service Group 1: Primary Depository Bank Pro Forma

Service	AFP Service Code	Estimated Monthly	
		Volumes	Proposed Monthly / Unit Cost
ACCOUNT SERVICES			
ACCOUNT MAINTENANCE	010000	24	
ZBA MASTER ACCOUNT	010020	3	
ZBA SUBSIDIARY ACCOUNT	010021	18	
ACCOUNT STATEMENT - PAPER	010310	24	
POST NO CHECKS MAINTENANCE	1500ZZ	16	
OVERDRAFT (PER ITEM)	600410		
SPECIALIZED SERVICES			
QUICKPAY FAX SERVICE (MONTHLY MAINTENANCE)		155	
QUICKPAY TRANSACTION FEE		150	
MONTHLY OVERALL RELATIONSHIP SUPPORT FEE		1	
COURIER FEE TO TRANSPORT BANK ITEMS DAILY (VOLUME OF 1, REPRESENTS MONTHLY RELATIONSHIP FEE)		1	
CUSTOMIZED DAILY PAID CHECK FILE (VOLUME OF 1, REPRESENTS MONTHLY RELATIONSHIP FEE)		1	
MONTHLY DEPOSIT FILE		1	
BANKING CENTER SERVICES			
BANK DEPOSIT		680	
BANK DEPOSIT - COIN AND CURRENCY (IN \$'S)		118,026	
BRANCH ORDER CURRENCY STRAP	10004A	-	
BRANCH ORDER PROCESSED	100040	-	
BRANCH ORDER - COIN ROLL	100044	-	
VAULT SERVICES			
VAULT DEPOSIT	100100	2,719	
VAULT DEP PARTIAL OR MIXED COIN BAG	100111	163	
VAULT DEP NON STD STRAP - (IN \$'S)	100114	1,062,234	
VAULT STANDARD ORDERS	100141	10	
VAULT MANUAL ORDERS		1	
VAULT ORDER CURRENCY STD STRAP	10014A	-	
VAULT ORDER CURR NON STD STRAP	100148	4,037	
VAULT ORDER - COIN ROLL BOX	100146	-	
VAULT ORDER - COIN ROLL	100146	151	
VAULT DEPOSIT ERROR CORRECTION	100501	9	
DEPOSITORY SERVICES			
CREDITS POSTED	010101		
CHECK DEPOSITED-ON US	100220	27,373	
CHECK DEPOSITED-OTHER HAWAIIAN BANKS	100224	60,008	
CHECK DEPOSITED-NON-HAWAIIAN BANKS	100224	39,155	
PRE-ENCODED CHECK DEPOSITED-ON US		61	
PRE-ENCODED CHECK DEPOSITED-OTHER HAWAIIAN BANKS		206	
PRE-ENCODED CHECK DEPOSITED-NON-HAWAIIAN BANKS		237	
DEPOSIT CORRECTION	100230	8	
RETURN ITEM - CHARGEBACKED	100400	531	
RETURN ITEM REDEPOSIT / RESUBMITTED	100402	64	
RETURN ALTERNATE ADDRESS	100401		
REMOTE DEPOSIT CAPTURE (new service)			
RELATIONSHIP MAINTENANCE FEE		1	
ACCOUNT MAINTENANCE FEE		8	
LOCATION (SCANNER) MAINTENANCE FEE		30	
RDC DEPOSIT			
ITEM PROCESSING THROUGH RDC SCANNER			
DEPOSITED ITEM			
DISBURSEMENT SERVICES			
CHECK / DEBIT POSTED WITH CHECKSTORAGE	010100	72,838	
CHECK / DEBIT POSTED WITHOUT CHECKSTORAGE	010100	30	
CHECK PHOTOCOPY RETRIEVAL	N/A		
CHECK CASHING NON-ACCT HOLDER	N/A		
FOREIGN DRAFTS		4	
STOP PAYMENT	15420	147	
ESCHEAT STOP PAYMENTS ON JUNE 1ST (all volume activity, 8,712 items occur in June)		726	

Service	AFP Service Code	Estimated Monthly	
		Volumes	Proposed Monthly / Unit Cost
RECONCILIATION SERVICES			
POSITIVE PAY MAINTENANCE (PER ACCOUNT) -- NEW	150030	8	
PAYEE NAME VERIFICATION (PER CHECK) - NEW	150122	72,838	
EXCEPTION ITEM - NEW	150300	97	
CHECK EXCEPTION RETURN - NEW	150320	10	
FULL RECONCILEMENT - MAINT	200010	8	
FULL RECONCILEMENT - PER ITEM	200110	72,838	
PARTIAL RECONCILEMENT - MAINT	200020	-	
PARTIAL RECONCILEMENT - PER ITEM	200120	-	
ARP DEPOSIT REPORT (RELATIONSHIP)		1	
CD-ROM (PER ACCOUNT MAINTENANCE)		24	
CD-ROM (PER CD-ROM)		6	
CD-ROM (PER ITEM IMAGED)		72,838	
FUNDS TRANSFER SERVICES			
WIRE TRANSFER (RELATIONSHIP)	359999	1	
WIRE TRANSFER (PER ACCOUNT)	359999	5	
OUTGOING WIRE TRANSFER	350104	52	
INCOMING WIRE TRANSFER	350300	87	
BOOK CREDIT	350320	-	
FX WIRE TRANSFER (MANUAL)		1	
AUTOMATED CLEARING HOUSE			
ACH MAINTENANCE	250000	10	
ACH MAINTENANCE (ONLINE)	250000	10	
ACH CORPORATE PAYMENT	250100	24	
ACH DEBITS ORIGINATED	250101	141	
ACH CREDITS ORIGINATED	250101	19,823	
ACH ACCOUNTS WITH SUREPAY		8	
ACH PAYMENTS WITH SUREPAY		67,586	
ADDENDA RECORD	250120		
DEBIT RECEIVED	250200		
CREDIT RECEIVED	250201		
RETURN ITEM	250302	158	
RETURN ITEM REDEPOSIT	250310		
RETURN NOTIFICATION - EMAIL	250400		
RETURN NOTIFICATION - TRANSM	250400		
FILE PROCESSING	250501	46	
ACH RECALL / STOP PAYMENT	250620	1	
DEBIT BLOCK MAINTENANCE	251050	24	
ACH ADA AUTHORIZED ID	251051		
NOTIFICATION OF CHANGE	251070		
NOTIF OF CHANGE - EMAIL	251070		
NOTIF OF CHANGE - TRANSM	251070		
ONLINE REPORTING			
ONLINE REPORTING (RELATIONSHIP)	400699	1	
CURRENT DAY REPORTING - ACCOUNT MAINTENANCE	400699	24	
CURRENT DAY REPORTING - PER ITEM	400699		Offeror please estimate based on above volumes
PREVIOUS DAY REPORTING - ACCOUNT MAINTENANCE)	400699	24	
PREVIOUS DAY REPORTING - PER ITEM (45 DAY HISTORY)	400699		Offeror please estimate based on above volumes
PREVIOUS DAY REPORTING - PER ITEM (365+ HISTORY)	400699		Offeror please estimate based on above volumes
USER MODULE FEE	400699	80	
CIGARETTE TAX STAMP PROGRAM			
IMPLEMENTATION			
MONTHLY SERVICE CHARGE		1	
TRANSACTION FEE		74	
DEFERRED PAYMENT SALES		68	
REPORTING FEE			
SHIPMENT TO MAINLAND CONTRACTOR		2	

EXHIBIT K
Service Group 2: Lockbox Pro Forma

Service	Transaction charged	AFP Service Code	Estimated Actual Monthly Volumes	Estimated	
				Propsective Monthly Volumes	Proposed Monthly / Unit Cost
Wholesale Lockbox - Monthly Maintenance	Per Lockbox	050000	1	3	
Retail Lockbox - Monthly Maintenance	Per Lockbox				
Retail Lockbox - Processing Fee (Automated)	Per Item				
Retail Lockbox - Unprocessed Work	Per Item				
Retail Lockbox - File Transmission	Per File Transmitted				
Retail Lockbox - CD-ROM Maintenance	Per Account				
Retail Lockbox - CD-ROM	Per CD-ROM				
Retail Lockbox - CD-ROM per Item	Per CD-ROM Image				
Wholesale Lockbox - Monthly Maintenance	Per Lockbox	050000	1	3	
Wholesale Lockbox Box Rental	Per Month	050002	1	3	
Wholesale Lockbox Items Processed	Per Item Processed	050100	7,500	33,671	
Wholesale Lockbox Sorting Alpha / Numeric	Per Check	050110	-		
Wholesale Lockbox Matching	Per Item	050117	7,500	33,671	
Wholesale Lockbox Items w/ MICR Repair	Per Item Processed	050122	-		
Wholesale Lockbox Data Entry / Keystroke	Keystroke	050124	375,000	1,683,550	
Lockbox Acceptable Payee > 10	Per Item	050131			
Wholesale Lockbox Rought Sort 5 or Less	Per Item				
Wholesale Lockbox Correspondence	Per Item	050131			
Wholesale Lockbox Unprocessed Item	Per Item	050131	375	1,684	
Wholesale Lockbox Stop Maintenance	Per Account / Per Month	050135	-		
Wholesale Lockbox Programming Services	Per Hour	050137	-		
Wholesale Lockbox Cash Received	Per Transaction	050138	38	168	
Wholesale Lockbox Set-Up Fee	One Time Per Lockbox	050138	-		
Wholesale Lockbox Document Image Capture	Per Document Page	050144	7,500	33,671	
Lockbox Deposit	Per Lockbox Deposit Ticket	050300	22	66	
Lockbox Multiple DDA	Per DDA	050303	1	3	
Wholesale Lockbox No Deposit Reporting	Per Month	050320	-	-	
Wholesale Lockbox Transmission	Per Lockbox / Per Month	050400	1	3	
Wholesale Lockbox Reporting E-mail	Per Lockbox / Per Month	050400	-		
Wholesale Lockbox Web Data Transmission	Per Month / Per Lockbox	050400	1	3	
Wholesale Lockbox Postage	Pass Through	050410	-		
Lockbox Images CD-ROM Monthly	Per Month	050423	1	3	
Wholesale Lockbox Images CD-ROM Daily	Per Day	050423	-		
Wholesale Lockbox WEB Lockbox Central - Maintenance	Per Lockbox / Per Month	050424	1	3	
Wholesale Lockbox Imaged Item	Per Transaction	050428	-	-	
Lockbox Exception Decisioning Module	Per Lockbox / Per Month	999999	1	3	
Wholesale Lockbox Exception Decisioning Module	Per Item	050500	375	1,684	
Wholesale Lockbox Item Store & Destroy	Per Transaction	050600	-	-	
Wholesale Lockbox Storage Retrieval	Per Request / Transaction	050610	-	-	
Wholesale Lockbox Items Deposited	Per Lockbox Item Deposited	01021Z	-	-	
Wholesale Lockbox Photocopy	Per Item	05011A	-	-	
Wholesale Lockbox Envelope Return	Per Item	05011E	-	-	
Wholesale Lockbox Credit Card Processing	Per Item	05013A	-	-	
Wholesale Lockbox Automated Account Lookup	Per Account / Per Month	05023b	-	-	

EXHIBIT L
Service Group 3: Electronic Funds Processing Pro Forma

Service	AFP Service Code	Estimated Monthly	
		Volumes	Proposed Monthly / Unit Cost
ACCOUNT SERVICES			
ACCOUNT MAINTENANCE	010000	3	
ACCOUNT STATEMENT - PAPER	010310	3	
POST NO CHECKS MAINTENANCE	1500ZZ	3	
OVERDRAFT (PER ITEM)	600410		
RECONCILIATION SERVICES			
CD-ROM (PER ACCOUNT MAINTENANCE)		3	
CD-ROM (PER CD-ROM)		1	
CD-ROM (PER ITEM IMAGED)		100	
FUNDS TRANSFER SERVICES			
WIRE TRANSFER (RELATIONSHIP)	359999	1	
WIRE TRANSFER (PER ACCOUNT)	359999	3	
OUTGOING WIRE TRANSFER	350104	5	
INCOMING WIRE TRANSFER	350300	5	
BOOK CREDIT	350320	-	
AUTOMATED CLEARING HOUSE			
ACH MAINTENANCE	250000	3	
ACH MAINTENANCE (ONLINE)	250000	3	
ACH CORPORATE PAYMENT	250100	1	
ACH DEBITS ORIGINATED	250101	-	
ACH CREDITS ORIGINATED	250101	24,000	
ADDENDA RECORD	250120		
DEBIT RECEIVED	250200		
CREDIT RECEIVED	250201		
RETURN ITEM	250302	5	
RETURN ITEM REDEPOSIT	250310		
RETURN NOTIFICATION - EMAIL	250400		
RETURN NOTIFICATION - TRANSM	250400		
FILE PROCESSING	250501	8	
ACH RECALL / STOP PAYMENT	250620	1	
DEBIT BLOCK MAINTENANCE	251050	3	
ACH ADA AUTHORIZED ID	251051		
NOTIFICATION OF CHANGE	251070		
NOTIF OF CHANGE - EMAIL	251070		
NOTIF OF CHANGE - TRANSM	251070		
ONLINE REPORTING			
ONLINE REPORTING (RELATIONSHIP)	400699	1	
CURRENT DAY REPORTING - ACCOUNT MAINTENANCE	400699	3	
CURRENT DAY REPORTING - PER ITEM	400699		Offeror please estimate based on above volumes
PREVIOUS DAY REPORTING - ACCOUNT MAINTENANCE)	400699	3	
PREVIOUS DAY REPORTING - PER ITEM (45 DAY HISTORY)	400699		Offeror please estimate based on above volumes
PREVIOUS DAY REPORTING - PER ITEM (365+ HISTORY)	400699		Offeror please estimate based on above volumes
USER MODULE FEE	400699	15	

EXHIBIT M
Service Group 4: Custody Services

General Fund - Fixed Income Only Portfolio

Assets Based Fee Schedule (apply for relationship)

- First \$100 million
- \$100 - 500 million
- \$500 million - \$1 billion
- \$1 billion - \$2 billion
- \$2 billion +

What the Asset Based Fee for a \$2.2 billion Account?

	Volume	
Account Maintenance Fee (Annual Charge)	1	<input style="width: 100%; height: 100%; border: 1px solid black;" type="text"/>
# of Portfolio Holdings	124	
Other Charges (reporting, etc.)		

	Annual Volume	Unit Cost if
DTC / Fed Purchases	114	
DTC / Fed Sells	zero	
DTC / Fed Maturities	93	
Interest Payments	228	
Incoming Domestic Wires	12	
Outgoing Domestic Wires	12	

Unclaimed Property

Assets Based Fee Schedule (apply for relationship)

- First \$10 million
- \$10 million +

	Volume	
Account Maintenance Fee (Annual Charge)	1	<input style="width: 100%; height: 100%; border: 1px solid black;" type="text"/>
# of Portfolio Holdings	4,910	
Other Charges (reporting, etc.)		

	Annual Volume	Unit Cost if
Security Sales (mutual funds, stocks)		
Commission on Security Sales		
Securities Received (mutual funds, stocks)		
Securities Delivered Out (mutual funds, stocks)		
Coupon Payments		
Maturity / Full Call		
Dividends Received		
Capital Gain Received (Short-Term)		
Capital Gain Received (Long-Term)		
Foreign Dividend Paid		
Foreign Tax Paid		
Automatic Sweep to Money Fund		
Outgoing Domestic Wires		

EXHIBIT N
Service Group 5: Data Collection Center Department of Taxation Pro Forma

Service	Estimated Monthly Volumes	Proposed Monthly / Unit Cost
Monthly Support Fee	1	
Implementation Charges		
Implementation - Setup Charge Per New Agency	-	
Taxpayers added to service - Manual	34	
Enrollment Edit - Manual	70	
Taxpayers added to service - Electronic	-	
Enrollment Edit - Electronic	-	
Number of Welcome Kits	34	
Welcome Kits Postage	34	
Data Input		
Operator Payment	96	
Operator Cancellation	55	
Operator Inquiry	84	
Voice Operator Services Per Minute	not available	
Audit Response (Touch-tone) Minutes Per Month	14,919	
IVR Abandoned Calls Per Minute	116	
IVR Roll Over Calls Per Minute	1,008	
Electronic Input (per payment) - Web and PC	-	
Electronic Inquiry - Web	-	
Data Output		
ACH Transaction Charge Per Debit	7,034	
Payment Receipt Report (Fax)	1	
Transmission Sent by govOne (per Transmission)	42	
Transmission Sent by govOne (per Record)	14,069	
File Maintenance Other		
Monthly Minimum Invoice		
Monthly File Storage and Customer Support Per Taxpayer ID	10,684	

EXHIBIT O
Lockbox Remittance Documents

State of Hawaii
DEPARTMENT OF TRANSPORTATION
HARBORS DIVISION
79 S. Nimitz Highway
Honolulu, Hawaii 96813-4898
INVOICE - 1451551

MAKE PAYABLE TO: DOT-Harbors
Please return a copy of this invoice
with your payment.

Date
04/03/14

Account No.
1234567

SAMPLE VENDOR
123 ABC ST
Honolulu, HI USA 96808-0721

Page 1

Date	Reference	Rev. Code	Description	US\$ Amount
03/01/14	DAILY ACCOU	A	42(1)Storage, Uncv/Pvd, 1050 SF BOAT TRAILER	\$525.00 DB
			PAY THIS AMOUNT ->	\$525.00 DB

Remarks:
DAILY ACCOUNT OF STORAGE CHARGES ON TWO (2) 35' BOAT TRAILERS AT
PIER-19, FOR THE MONTH OF MARCH 2014.

HARBORS FISCAL
14 APR 14 P 3 28

OK [Signature]

TERMS AND CONDITIONS

Interest at the rate of one percent (1%) per month, compound interest,
and a service charge (currently set at \$30.00 per month) as set forth in
the Hawaii Administrative Rules (DOT) shall be assessed any delinquent
account and shall continue to be assessed until the delinquent
sum, including interest and service charges, is paid in full.

COMMERCIAL HARBORS

Payments are considered delinquent when not paid within thirty
calendar days from date of invoice.

State of Hawaii - Department of Transportation
Harbors Division

79 S. Nimitz Highway, Honolulu HI 96813-4898
(808) 587-3657

STATEMENT
Open Items for Account

Account No: 123456
Date: Jul 31, 2014
Page: 1 of 2

SAMPLE VENDOR
123 ABC ST
Honolulu, HI USA 96808-0721

Date	Reference	Description	Original Amount	Open Item Balance	Cumulative Balance
Invoice(s): 11/01/2013	Invoice # 1436427	Rental for	\$326.40	\$326.40	\$326.40
				Open Item Balance:	\$326.40

Please disregard Open Item Balance if payment has already been made.

An interest charge of 12% per annum will be applied to invoice(s) that are more than 30 days past due.
For billing inquiries, please call (808) 587-3657 between the hours of 7:45 AM and 4:30 PM, Monday through Friday, except holidays.
If no indications are made, payment will first be applied to the interest and then the earliest outstanding invoice(s).
Please make your check payable to: DOT HARBORS DIVISION

State of Hawaii - Department of Transportation
Harbors Division
79 S. Nimitz Highway, Honolulu HI 96813-4898
(808) 587-3657

REMITTANCE ADVICE

Account No: 500173
Date: Jul 31, 2014
Page: 2 of 2

Account: SAMPLE VENDOR
Account No: 123456

Date	Reference	Description	Open Item Balance	Amount Paid
Invoice(s): 11/01/2013	Invoice # 1436427	Rental for	\$326.40	
		Subtotal:	\$326.40	
		Total:	\$326.40	

Amount remitted: _____ Check No.: _____

UC-B6 (Online Form)

STATE OF HAWAII DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS UNEMPLOYMENT INSURANCE DIVISION QUARTERLY WAGE, CONTRIBUTION AND EMPLOYMENT AND TRAINING ASSESSMENT REPORT		DO NOT WRITE IN THIS SPACE						
TAX OFFICE RECEIVED DATE <div style="border: 1px solid black; height: 40px; width: 100%;"></div>								
		FEIN ACCOUNT # For Quarter Ending Delinquent After						
1) EMPLOYEE'S SSN#	2) EMPLOYEE'S NAME (LAST, FIRST)	3) TOTAL QTR WAGES PAID						
INTERNET FILERS: To complete the filing process, go to https://hui.ehawaii.gov to file your Quarterly Wage Report, Quarterly Contribution and E&T Assessment Report and pay your contributions online.								
** Number of Employee : **								
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; text-align: center;">Contribution Rate</td> <td style="width: 30%; text-align: center;">E&T Rate</td> <td style="width: 40%;"></td> </tr> <tr> <td style="text-align: center;">1st Month</td> <td style="text-align: center;">2nd Month</td> <td style="text-align: center;">3rd Month</td> </tr> </table>		Contribution Rate	E&T Rate		1st Month	2nd Month	3rd Month	6) TOTAL WAGES PAID THIS QUARTER 7) EXCESS WAGES 8) NET TAXABLE WAGES 9) CONTRIBUTIONS DUE 10) E&T ASSESSMENT DUE 11) AMOUNT DUE 12) OVERPAYMENT 13) ADJUSTED CONTRIBUTIONS DUE 14) PENALTY AND INTEREST 15) TOTAL PAYMENT DUE 16) TOTAL REMITTANCE
Contribution Rate	E&T Rate							
1st Month	2nd Month	3rd Month						
I CERTIFY THAT THE INFORMATION ON THIS REPORT IS TRUE AND CORRECT. SIGNED BY: _____ PRINT NAME: <u> X </u> _____ TITLE: <u> X </u> _____ TELEPHONE NUMBER: <u> X </u> _____ DATE: <u> X </u> _____		FORM UC-86 (REV. 12/03) 1CSD QWN						

UC-B6 (Manual Form)

STATE OF HAWAII
 DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
 UNEMPLOYMENT INSURANCE DIVISION
**QUARTERLY WAGE, CONTRIBUTION AND
 EMPLOYMENT AND TRAINING ASSESSMENT REPORT**

TAX OFFICE RECEIVED DATE

DO NOT WRITE IN THIS SPACE

FEDERAL I.D. NUMBER

ACCOUNT NUMBER

FOR QUARTER ENDING

DELINQUENT AFTER

PLEASE PRINT OR TYPE IN BLACK INK

1) EMPLOYEE'S SSA #	2) EMPLOYEE'S NAME (LAST, FIRST)	3) TOTAL QTR WAGES PAID

MAIL OR DELIVER REPORTS AND REMITTANCES TO: **STATE TAX COLLECTOR**
 P.O. Box 3223, Honolulu, Hawaii 96801
 OR
830 Punchbowl Street
Honolulu, HI 96813

CONTRIBUTION RATE

EMPLOYMENT & TNG ASSESSMENT RATE

4) TOTAL WAGES ON THIS PAGE

17) NUMBER OF COVERED WORKERS IN THE PAY PERIOD INCLUDING THE 12TH DAY OF EACH MONTH		
1ST MONTH	2ND MONTH	3RD MONTH

5) TOTAL FROM OTHER PAGES	6) TOTAL WAGES PAID THIS QUARTER (sum of items 4 and 5)	7) LESS WAGES PAID THIS QUARTER to Each Employee in Excess of Year's First \$	8) NET TAXABLE WAGES (subtract item 7 from item 6)	9) CONTRIBUTIONS DUE (multiply item 8 by >>>>)	10) E & T ASSESSMENT DUE (multiply item 8 by >>>>)	11) AMOUNT DUE (SUM OF ITEM 9 AND 10)	12) OVERPAYMENT (enter NOTIFICATION OF CREDIT amount)	13) ADJUSTED CONTRIBUTIONS DUE (subtract item 12 from item 11)	14) PENALTY AND INTEREST	15) TOTAL PAYMENT DUE (sum of items 13 and 14)	16) MAKE CHECK PAYABLE TO: HAWAII STATE TAX COLLECTOR PLEASE INDICATE YOUR U.I. ACCT. NUMBER ON CHECK

I CERTIFY THAT THE INFORMATION ON THIS REPORT IS TRUE AND CORRECT.

SIGNED BY: _____

PRINT NAME: _____

TITLE: _____

TELEPHONE NUMBER: _____

DATE: _____

RETURN ORIGINAL FORM WITH PAYMENT

Print your characters like this ▶ 0123456789

ABCDEFGHIJKLMN OPQRSTUVWXYZ

FORM UC-B6 (REV. 12/05)
(ICSD L2BW)