STATE OF UTAH CONTRACT

1. CONTRACTING PARTIES. This Contract is between the Utah State Tax Commission ("Commission"), Agency Code 120, and the following contractor:

Scan-Optics, Inc.
169 Progress Drive
Manchester, CT 06040

056040
CONTRACT NUMBER

Richard C. Goyette	(860)645-7878 ext361	rgoyette@scanoptics.com
Contact Person	Phone Number	E-mail Address
060851857	94972A	20490000000
Federal ID#	Vendor Number	Commodity Code(s)

LEGAL STATUS OF CONTRACTOR: For-Profit Corporation

2. GENERAL PURPOSE OF CONTRACT: High-speed data capture for 2D barcodes.

3. PROCUREMENT: This contract is entered into as a result of the procurement process on Bid #GM4054, Requisition #120 4ADM0000002, FY2004.

4. CONTRACT PERIOD: Effective date: 07/01/04 Termination date: 06/30/07 unless terminated early or extended in accordance with the terms of this contract. Renewal options: one year increments for up to four years.

5. CONTRACT COSTS: CONTRACTOR may be paid a maximum of: $415,133 for costs authorized by this contract.

6. ATTACHMENT A: State of Utah, Standard Terms and Conditions.
ATTACHMENT B: State Special Terms and Conditions.
ATTACHMENT C: Contractor Terms and Conditions, Memorandum of Understanding for Travel Expenses, and an initial Statement of Work (SOW).

Any conflicts between Attachment A and other Attachments will be resolved in favor of Attachment A, except as expressly provided in Section 19 of Attachment B.

7. DOCUMENTS INCORPORATED INTO THIS CONTRACT BY REFERNCE BUT NOT ATTACHED:
   A. All other government laws, regulations or actions applicable to the goods and/or services authorized by this Contract.
   B. Utah State Procurement Code, Procurement Rules, and Contractor's response to Bid #GM4054 in the form of Scan-Optics, Inc.'s Priced Proposal to The Utah State Tax Commission for High-Speed Data Capture for 2D Barcodes dated June 8, 2004 and Scan-Optics, Inc.'s Un-Priced Technical Proposal to The Utah State Tax Commission for High-Speed Data Capture for 2D Barcodes dated March 16, 2004

IN WITNESS WHEREOF, the parties sign and cause this contract to be executed.

CONTRACTOR	**STATE OF UTAH**
Contractor's Signature Date	Division Director Date
Contractor's Name	Agency Budget Officer Date
Title	Agency Purchasing Agent Date
	Rodney G. Marrelli, Executive Director Date
	Director, Division of Purchasing Date
Michael G Rigby 801-297-3874	
Agency Contact Person Telephone Number	Division of Finance Date

ATTACHMENT A

State of Utah Standard Terms and Conditions

ATTACHMENT A: STANDARD TERMS AND CONDITIONS

1. **AUTHORITY:** Provisions of this contract are pursuant to the authority set forth in 63-56, Utah Code Annotated, 1953, as amended, Utah State Procurement Rules (Utah Administrative Code Section R33), and related statutes which permit the State to purchase certain specified services, and other approved purchases for the State.

2. **CONTRACT JURISDICTION, CHOICE OF LAW, AND VENUE:** The provisions of this contract shall be governed by the laws of the State of Utah. The parties will submit to the jurisdiction of the courts of the State of Utah for any dispute arising out of this Contract or the breach thereof. Venue shall be in Salt Lake City, in the Third Judicial District Court for Salt Lake County.

3. **LAWS AND REGULATIONS:** Any and all supplies, services and equipment furnished will comply fully with all applicable Federal and State laws and regulations.

4. **RECORDS ADMINISTRATION:** The Contractor shall maintain, or supervise the maintenance of all records necessary to properly account for the payments made to the Contractor for costs authorized by this contract. These records shall be retained by the Contractor for at least four years after the contract terminates, or until all audits initiated within the four years, have been completed, whichever is later. The Contractor agrees to allow State and Federal auditors, and State Agency Staff, access to all the records to this contract, for audit and inspection, and monitoring of services. Such access will be during normal business hours, or by appointment.

5. **CONFLICT OF INTEREST:** Contractor represents that none of its officers or employees are officers or employees of the State of Utah, unless disclosure has been made in accordance with 67-16-8, Utah Code Annotated, 1953, as amended.

6. **CONTRACTOR, AN INDEPENDENT CONTRACTOR:** The Contractor shall be an independent contractor, and as such, shall have no authorization, express or implied, to bind the State to any agreements, settlements, liability, or understanding whatsoever, and agrees not to perform any acts as agent for the State, except as herein expressly set forth. Compensation stated herein shall be the total amount payable to the Contractor by the State. The Contractor shall be responsible for the payment of all income tax and social security amounts due as a result of payments received from the State for these contract services. Persons employed by the State and acting under the direction of the State shall not be deemed to be employees or agents of the Contractor.

7. **INDEMNITY CLAUSE:** The Contractor agrees to indemnify, save harmless, and release the State OF UTAH, and all its officers, agents, volunteers, and employees from and against any and all loss, damages, injury, liability, suits, and proceedings arising out of the performance of this contract which are caused in whole or in part by the negligence of the Contractor's officers, agents, volunteers, or employees, but not for claims arising from the State's sole negligence.

8. **EQUAL OPPORTUNITY CLAUSE:** The Contractor agrees to abide by the provisions of Title VI and VII of the Civil Rights Act of 1964 (42USC 2000e) which prohibits discrimination against any employee or applicant for employment or any applicant or recipient of services, on the basis of race, religion, color, or national origin; and further agrees to abide by Executive Order No. 11246, as amended, which prohibits discrimination on the basis of sex; 45 CFR 90 which prohibits discrimination on the basis of age; and Section 504 of the Rehabilitation Act of 1973, or the Americans with Disabilities Act of 1990 which prohibits discrimination on the basis of disabilities. Also, the Contractor agrees to abide by Utah's Executive Order, dated March 17, 1993, which prohibits sexual harassment in the work place.

9. **SEPARABILITY CLAUSE:** A declaration by any court, or any other binding legal source, that any provision of this contract is illegal and void shall not affect the legality and enforceability of any other provision of this contract, unless the provisions are mutually dependent.

10. **RENEGOTIATION OR MODIFICATIONS:** This contract may be amended, modified, or supplemented only by written amendment to the contract, executed by the same persons or by persons holding the same position as persons who signed the original agreement on behalf of the parties hereto, and attached to the original signed copy of the contract.

11. **DEBARMENT:** The Contractor certifies that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction (contract), by any governmental department or agency. If the Contractor cannot certify this statement, attach a written explanation for review by the State. The Contractor must notify the State Director of Purchasing within 30 days if debarred by any governmental entity during the Contract period.

12. **TERMINATION:** Unless otherwise stated in the Special Terms and Conditions, this contract may be terminated, with cause by either party, in advance of the specified termination date, upon written notice being given by the other party. The party in violation will be given ten (10) working days after notification to correct and cease the violations, after which the contract may be terminated for cause. This contract may be terminated without cause, in advance of the specified expiration date, by either party, upon 90 days prior written notice being given the other party. On termination of this contract, all accounts and payments will be processed according to the financial arrangements set forth herein for approved services rendered to date of termination.

13. **NONAPPROPRIATION OF FUNDS:** The Contractor acknowledges that the State cannot contract for the payment of funds not yet appropriated by the Utah State Legislature. If funding to the State is reduced due to an order by the Legislature or the Governor, or is required by State law, or if federal funding (when applicable) is not provided, the State may terminate this contract or proportionately reduce the services and purchase obligations and the amount due from the State upon 30 days written notice. In the case that funds are not appropriated or are reduced, the State will reimburse Contractor for products delivered or services performed through the date of cancellation or reduction, and the State will not be liable for any future commitments, penalties, or liquidated damages.

14. **SALES TAX EXEMPTION:** The State of Utah's sales and use tax exemption number is E33399. The tangible personal property or services being purchased are being paid from State funds and used in the exercise of that entity's essential functions. If the items being purchased are construction materials, they will be converted into real property by employees of this government entity, unless otherwise stated in the contract.

15. **WARRANTY:** The contractor agrees to warrant and assume responsibility for all products (including hardware, firmware, and/or software products) that it licenses, contracts, or sells to the State of Utah under this contract for a period of one year, unless otherwise specified and mutually agreed upon elsewhere in this contract. The contractor (seller) acknowledges that all warranties granted to the buyer by the Uniform Commercial Code of the State of Utah apply to this contract. Product liability disclaimers and/or warranty disclaimers from the seller are not applicable to this contract unless otherwise specified and mutually agreed upon elsewhere in this contract. In general, the contractor warrants that: (1) the product will do what the salesperson said it would do, (2) the product will live up to all specific claims that the manufacturer makes in their advertisements, (3) the product will be suitable for the ordinary purposes for which such product is used, (4) the product will be suitable

for any special purposes that the State has relied on the contractor's skill or judgment to consider when it advised the State about the product, (5) the product has been properly designed and manufactured, and (6) the product is free of significant defects or unusual problems about which the State has not been warned. Remedies available to the State include the following: The contractor will repair or replace (at no charge to the State) the product whose nonconformance is discovered and made known to the contractor in writing. If the repaired and/or replaced product proves to be inadequate, or fails of its essential purpose, the contractor will refund the full amount of any payments that have been made. Nothing in this warranty will be construed to limit any rights or remedies the State of Utah may otherwise have under this contract.

16. **PUBLIC INFORMATION:** Contractor agrees that the contract will be a public document, and may be available for distribution. and Contractor gives the State express permission to make copies of the contract and/or of the response to the solicitation in accordance with the State of Utah Government Records Access and Management Act. The permission to make copies as noted will take precedence over any statements of confidentiality, proprietary information, copyright information, or similar notation.

17. **DELIVERY:** Unless otherwise specified in this contract, all deliveries will be F.O.B. destination with all transportation and handling charges paid by the Contractor. Responsibility and liability for loss or damage will remain with Contractor until final inspection and acceptance when responsibility will pass to the State except as to latent defects, fraud and Contractor's warranty obligations.

18. **ORDERING AND INVOICING:** All orders will be shipped promptly in accordance with the delivery schedule. The Contractor will promptly submit invoices (within 30 days of shipment or delivery of services) to the State. The State contract number and/or the agency purchase order number shall be listed on all invoices, freight tickets, and correspondence relating to the contract order. The prices paid by the State will be those prices listed in the contract. The State has the right to adjust or return any invoice reflecting incorrect pricing.

19. **PAYMENT:** Payments are normally made within 30 days following the date the order is delivered or the date a correct invoice is received, whichever is later. All payments to the Contractor will be remitted by mail unless paid by the State of Utah's Purchasing Card.

20. **PATENTS, COPYRIGHTS, ETC.:** The Contractor will release, indemnify and hold the State, its officers, agents and employees harmless from liability of any kind or nature, including the Contractor's use of any copyrighted or un-copyrighted composition, secret process, patented or un-patented invention, article or appliance furnished or used in the performance of this contract.

21. **ASSIGNMENT/SUBCONTRACT:** Contractor will not assign, sell, transfer, subcontract or sublet rights, or delegate responsibilities under this contract, in whole or in part, without the prior written approval of the State.

22. **DEFAULT AND REMEDIES:** Any of the following events will constitute cause for the State to declare Contractor in default of the contract: 1. Nonperformance of contractual requirements; 2. A material breach of any term or condition of this contract. The State will issue a written notice of default providing a ten (10) day period in which Contractor will have an opportunity to cure. Time allowed for cure will not diminish or eliminate Contractor's liability for damages. If the default remains, after Contractor has been provided the opportunity to cure, the State may do one or more of the following: 1. Exercise any remedy provided by law; 2. Terminate this contract and any related contracts or portions thereof; 3. Impose liquidated damages, if liquidated damages are listed in the contract; 4. Suspend Contractor from receiving future solicitations.

23. **FORCE MAJEURE:** Neither party to this contract will be held responsible for delay or default caused by fire, riot, acts of God and/or war which is beyond that party's reasonable control. The State may terminate this contract after determining such delay or default will reasonably prevent successful performance of the contract.

24. **PROCUREMENT ETHICS**: The Contractor understands that a person who is interested in any way in the sale of any supplies, services, construction, or insurance to the State of Utah is violating the law if the person gives or offers to give any compensation, gratuity, contribution, loan or reward, or any promise thereof to any person acting as a procurement officer on behalf of the State, or who in any official capacity participates in the procurement of such supplies, services, construction, or insurance, whether it is given for their own use or for the use or benefit of any other person or organization (63-56-73, Utah Code Annotated, 1953, as amended).

25. **CONFLICT OF TERMS:** Contractor Terms and Conditions that apply must be in writing and attached to the contract. No other Terms and Conditions will apply to this contract including terms listed or referenced on a Contractor's website, terms listed in a Contractor quotation/sales order, etc. In the event of any conflict in the contract terms and conditions, the order of precedence shall be: 1. State Standard Terms and Conditions; 2. State Special Terms and Conditions; 3. Contractor Terms and Conditions.

(Revision date: Nov 21, 2003)

ATTACHMENT B

State Special Terms and Conditions

ATTACHMENT B
STATE SPECIAL TERMS AND CONDITIONS

1. **Confidentiality of Taxpayer Information.** In performance of the contract, the Contractor agrees to comply with and assume responsibility for compliance by its employees with the following requirements: a) all work shall be performed under the supervision of the Contractor or the Contractor's employees; b) any return or return information made available in any format shall be used only for the purpose of carrying out the provisions of this Contract. Information contained in such material shall be treated as confidential and shall not be divulged or made known in any manner to any person except as may be necessary in the performance of this Contract. Disclosure to anyone other than an officer or employee of the Contractor shall be prohibited; c) all returns and return information will be accounted for upon receipt and properly stored before, during, and after processing. In addition, all related output shall be given the same level of protection as required for the source material; d) The Contractor certifies that the data processed during the performance of this Contract shall be completely purged from all data storage components of its computer facility, and no output will be retained by the Contractor at the time the work is completed. If immediate purging of all data storage components is not possible, the Contractor certifies that any IRS data remaining in any storage component will be safeguarded to prevent unauthorized disclosures; e) Any intermediate hard copy printout which may result during the processing of IRS data shall be given to the Commission or its designee. When this is not possible, the Contractor will be responsible for the destruction of any intermediate hard copy printouts, and shall provide the Commission or its designee with a statement containing the date of destruction, description of material destroyed, and the method used; f) no work involving information furnished under this Contract will be subcontracted without specific approval of the Commission; g) the Contractor will maintain a list of employees authorized access. Such list will be provided to the Commission and, upon request, the IRS reviewing office; h) the Commission will have the right to void the Contract if the Contractor fails to provide the safeguards described above. Criminal/Civil Sanctions: a) each officer or employee of any person to whom returns or return information is or may be disclosed shall be notified in writing by such person that returns or return information disclosed to such officer or employee can be used only for a purpose and to the extent authorized herein, and that further disclosure of any such returns or return information for a purpose or to an extent unauthorized herein constitutes a felony punishable upon conviction by a fine of as much as $5,000 or imprisonment for as long as five years, or both, together with the costs of prosecution. Such person shall also notify each such office and employee that any such unauthorized further disclosure of returns or return information may also result in an award of civil damages against the officer or employee in an amount not less than $1,000 with respect to each instance of unauthorized disclosure. These penalties are prescribed by IRC Sections 7213 and 7431 and set forth at 26 CFR 301.6103(n); b) additionally, it is incumbent upon the Contractor to inform its officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a (i)(1), which is made applicable to Contractors by 5 U.S.C. 552a (m)(1), provides that any officer or employee of a Contractor, who by virtue of his/her employment or official position, has possession of or access to agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than $5,000. Additionally, in performance of the contract, the Contractor agrees to comply with IRC 6103, IRC 7213 and IRC 7431.

2. **Confidential State of Utah Data.** In addition to the requirements set forth in Section 1 of this Attachment B, the Contractor agrees that some State of Utah data is confidential. There will be times that interactions with customers and their data (electronic, written, verbal, etc.) are necessary in order to provide the services required of this contract. You and your agents must hold data, obtained by accident, design, or in the course of completing the necessary work, in strictest confidence. You and your agents must not release or disclose in whole or in part any State of Utah data. All personnel must complete and sign a Non-Disclosure Statement (provided by the State of Utah at the time of award) prior to providing service under this contract.

3. Section 1.2 of the Contractor Terms and Conditions shall be revised to add the following sentence at the end of Section 1.2: "The foregoing provision does not apply to any taxes, customs, duties or assessments

for which Customer is exempt, provided Customer has furnished Scan-Optics with a valid tax exemption certificate or other proper evidence."

4. Section 1.3 of the Contractor Terms and Conditions shall be revised to add the following sentence at the end of Section 1.3: "All reimbursable travel expenses to be incurred by Scan-Optics and reimbursed by Customer hereunder shall be in compliance with the Memorandum of Understanding for Travel Expenses executed by the parties."

5. Section 7 of the Contractor Terms and Conditions shall be deleted in its entirety and replaced with the following:

> "Without prejudice to either party's termination rights described in Section 6.1 above, should any controversy, claim, dispute, or disagreement arise out of this Agreement, whether in contract or in tort or otherwise ("Dispute"), the Customer and Scan-Optics shall first attempt to resolve it through direct discussions in a spirit of mutual cooperation. If the parties' attempts to resolve any such Dispute through negotiations fail, the Dispute will be mediated by a mutually acceptable third party to be chosen by the Customer and Scan-Optics within fifteen (15) days after written notice by one of them demanding mediation under this Section. The parties shall pay their respective costs of the mediation. By mutual agreement, the Customer and Scan-Optics may use a non-binding form of dispute resolution other than mediation. The purpose of this Section is to reasonably ensure that the Customer and Scan-Optics shall in good faith utilize mediation or another non-binding dispute resolution process before pursuing litigation. The Customer's participation in or the results of any mediation or another non-binding dispute resolution process under this Section or the provisions of this Section shall not be construed as a waiver by the Customer of any rights, privileges, defenses, remedies or immunities available to the Customer as an agency of the State of Utah or otherwise available to the Customer."

6. Section 8.5 of the Contractor Terms and Conditions is hereby deleted in its entirety and replaced with the following:

> "**Assignment**. Scan-Optics may not assign this Agreement without notice to Customer. Except in connection with an outsourcing or other similar arrangement under which a third party is granted access and permission to use any Scan-Optics hardware, equipment or software for the benefit of Customer, Customer shall not assign this Agreement or any of its rights, interests or obligations hereunder whether voluntarily, by operation of law, or otherwise without the prior written consent of Scan-Optics in its sole discretion, and any attempt to do so without such consent shall be void. Subject to the foregoing, this Agreement shall be binding upon the parties and their respective successors and permitted assigns."

7. Section 8.10 of the Contractor Terms and Conditions is hereby deleted in its entirety and replaced with the following: "[SECTION INTENTIONALLY LEFT BLANK]".

8. Section 2 of Appendix A to the Contractor Terms and Conditions is hereby deleted in its entirety and replaced with the following:

> "**Hardware and Equipment Price**. Customer shall pay to Scan-Optics the Total Scanner Pricing set forth in Appendix A-1, as follows:
>
> (a) 10% of the Sub-Total Primary Scanner Pricing and, if applicable, the Sub-Total Secondary Scanner Pricing set forth in Appendix A-1 shall become due and payable by Customer on the date that Customer executes and delivers to Scan-Optics an executed order for delivery of some or all of the Equipment described in Appendix A-1;
>
> (b) 40% of the Sub-Total Primary Scanner Pricing and, if applicable, the Sub-Total Secondary Scanner Pricing set forth in Appendix A-1 shall become due and payable by Customer on the System Availability Date (as defined below); and

(c) the remaining balance of the Sub-Total Primary Scanner Pricing and, if applicable, the Sub-Total Secondary Scanner Pricing set forth in Appendix A-1 shall become due and payable by Customer upon the occurrence of the Acceptance Date (as defined below).

If during the period ("Acceptance Test Period") thirty (30) days following the date on which Scan-Optics delivers to Customer a notice stating that the Equipment and Software are ready and available for acceptance testing (the "System Availability Date"), Customer determines, in its reasonable judgment, that the Equipment or Software fail to conform substantially to any agreed upon acceptance criteria set forth in an executed Statement of Work, Customer shall cease all further use of the Equipment and Software and provide a written explanation (a "Notice of Acceptance Test Failure") detailing all instances of such substantial non-conformance.

In the event that Customer delivers to Scan-Optics a Notice of Acceptance Test Failure during the Acceptance Test Period, Scan-Optics will undertake to resolve any discrepancies, on a time and materials basis (except to the extent such discrepancies arise as a result of Scan-Opitics breach of any warranty), and provide a new notice stating that the Equipment and Software are ready and available for acceptance testing. Such notice shall commence a new fifteen (15) day Acceptance Test Period, with the procedure set forth herein to be repeated until the occurrence of the Acceptance Date or either party terminates the Agreement as set forth therein.

If Customer does not deliver to Scan-Optics a Notice of Acceptance Test Failure during any applicable Acceptance Test Period, the Equipment, Software and Services provided under this Agreement shall be deemed accepted as of the day immediately following the expiration of such Acceptance Test Period (the "Acceptance Date"). Notwithstanding anything to the contrary above, if Customer, at any time, commences production processing using the Equipment or Software after the first Systems Availability Date, the Equipment, Software and Services will be deemed accepted and the Acceptance Date will be deemed to have occurred on the date such production processing commences."

9. Section 7 of Appendix A to the Contractor Terms and Conditions is hereby amended to extend the Equipment Warranty Period from thirty (30) days to one (1) year. Accordingly, in the first and third sentences of Section 7 the phrase "thirty (30) days" shall be deleted and replaced with the phrase "one (1) year".

10. For purposes of clarification and application of Section 2 of Appendix B to the Contractor Terms and Conditions, both parties acknowledge and agree that Appendix B-1 (the "License Order") classifies each Standard Software Product ordered as either "Scan-Optics Single Station Applications" or "Scan-Optics Development Software," as specified, and therefore only the license grants set forth in clauses 2(ii) and 2(v) of Appendix B to the Contractor Terms and Conditions are applicable to the software products being licensed by the State of Utah under the Agreement. Further, clauses 2(ii) and 2(v) of Appendix B are hereby deleted in their entirety and replaced with the following:

"(ii) with respect to Scan-Optics Single Station Applications (as defined on the License Order), to install and use the number of copies of such Single Station Application products set forth on the License Order solely on one work station or machine per licensed copy (i.e., not to be installed on a networked server or disk drive and accessed by multiple workstations) and;"

(v) with respect to Scan-Optics Development Software (as defined in the attached License Order), to install and use the number of copies of such Development Software products set forth on the License Order solely on one work station or machine per licensed copy (i.e., not to be installed on a networked server or disk drive and accessed by multiple workstations)."

11. Section 4 of Appendix B to the Contractor Terms and Conditions is hereby deleted in its entirety and replaced with the following:

"**Standard Software Product License Charges**. Customer shall pay to Scan-Optics the Total Software Pricing set forth in Appendix B-1, as follows:

(a) 10% of the Total Software Pricing set forth in Appendix B-1 shall become due and payable by Customer on the date that Customer executes and delivers to Scan-Optics an executed order for delivery of some or all of the Software described in Appendix B-1;

(b) 40% of the Total Software Pricing set forth in Appendix B-1 shall become due and payable by Customer on the System Availability Date (as defined in Section 2 of Appendix A, as amended); and

(c) the remaining balance of the Total Software Pricing set forth in Appendix B-1 shall become due and payable by Customer upon the occurrence of the Acceptance Date (as defined in Section 2 of Appendix A, as amended)."

12. The first sentence of Section 6 of Appendix B to the Contractor Terms and Conditions is hereby deleted in its entirety and replaced with the following:

"Customer shall have no right to allow any person or entity who is not a party to this Agreement or who is not an employee or agent of a party to this Agreement to access the Standard Software Products directly or indirectly in any way, at Customer's site or via remote communication methods."

13. Section 8 of Appendix B to the Contractor Terms and Conditions is hereby amended to extend the Software Warranty Period from thirty (30) days to one (1) year. Accordingly, in the first and third sentences of Section 8 the phrase "thirty (30) days" shall be deleted and replaced with the phrase "one (1) year".

14. Section 6 of Appendix C to the Contractor Terms and Conditions is hereby deleted in its entirety and replaced with the following:

"**Professional Services Fees**. The Professional Services Fees and other related time and materials charges shall be invoiced by Scan-Optics and shall become due and payable by Customer, as follows:

(a) all charges incurred pursuant to Statement of Work "SOW UTAH #2004-001" (Planning and Process Design) shall become due and payable in accordance with such Statement of Work;

(b) all charges incurred pursuant to any Statements of Work other than Statement of Work "SOW UTAH #2004-001" prior to the Acceptance Date (as defined in Section 2 of Appendix A, as amended) shall be invoiced by Scan-Optics on a bi-monthly (every two weeks) basis, in arrears, which amounts shall become due and payable by Customer as follows: (i) 50% of all such Professional Services Fees shall become due and payable thirty (30) days from the date of invoice; (ii) 50% of all such Professional Services Fees shall become due and payable on the Acceptance Date (as defined in Section 2 of Appendix A, as amended); and (iii) all other charges reflected on the invoice shall become due and payable net thirty (30) days from the date of invoice; and

(c) all charges incurred pursuant to any Statements of Work on or after the Acceptance Date (as defined in Section 2 of Appendix A, as amended) shall be invoiced by Scan-Optics on a bi-monthly (every two weeks) basis, in arrears, and terms for payment shall be net thirty (30) days from the date of invoice.

Professional Services are performed by Scan-Optics on a time and materials basis, at the rates set forth in the PCR or Statement of Work or other scope of work executed by the Parties (the "Statement of Work"). It is understood by the Parties that the estimated charges set forth in any applicable Statement of Work are based on both parties' best efforts to define the work to be performed by Scan-Optics under such Statement of Work and if, after Scan-Optics has fully

assessed the scope of the work to be performed under such Statement of Work, the final scope of work differs from the scope of work set forth therein, Scan-Optics will endeavor to advise the Customer no later than when the billable amounts reach ninety (90%) percent of any estimate stated in the Statement of Work and Scan-Optics will include in such advice an estimate of the charges to complete the requirements of the Statement of Work. The Customer shall not be obligated to pay Scan-Optics for charges incurred in excess of the original estimate of charges until a Project Change Request increasing such estimate is approved in writing by the Customer. If such an amendment is not approved by the time the billable amount reaches one hundred (100%) percent of the estimated charges, all work associated with the applicable Statement of Work shall cease, and Customer shall pay Scan-Optics for all work performed thereunder through the date of termination. When and to the extent that the estimate is increased by written authorization, any charges incurred by Scan-Optics in excess of the original estimate prior to execution of the amendment shall be allowable to the same extent as if such charges had been incurred after the execution of the amendment. If work on a Statement of Work is suspended as set forth above, a restart fee of the higher of either 20% of the estimated charges, or actual cost to restart will be incurred when work on the Statement of Work is resumed."

15. Section 9 of Appendix D to Contractors Terms and Conditions is hereby deleted in its entirety and replaced with the following:

"**Term; Maintenance Charges; Terms of Payment**. The initial term for Equipment Maintenance Services shall be three (3) years commencing on the later of (i) the expiration of any applicable Equipment Warranty Period and (ii) the date of any service order or request, purchase order, sales order, statement of work, project change request or other agreement pursuant to which Scan-Optics agrees to provide the applicable Equipment Maintenance Services. Prior to the expiration of the initial term for Equipment Maintenance Services, and each renewal term thereafter, Scan-Optics will notify Customer of the expiration date of such maintenance term and the applicable fee for renewal. The charges for Equipment Maintenance Services (the "Annual Maintenance Charge") for the initial term shall be as set forth in Appendix A-1, and for each renewal term shall be Scan-Optics' rate then in effect for such year, which Annual Maintenance Charge shall be payable annually, in advance, within thirty (30) days of the date of invoice, and shall be non-refundable; provided, however, that any increase in the Annual Maintenance Charge for any renewal term may not exceed seven percent (7%) of the Annual Maintenance Charge for the immediately preceding maintenance term. Scan-Optics shall invoice Customer for the Annual Maintenance Charge not earlier than forty-five (45) days prior to each annual renewal or anniversary date."

16. Section 3 of Appendix E to Contractors Terms and Conditions is hereby deleted in its entirety and replaced with the following:

"**Term; Maintenance Charges; Terms of Payment**. The initial term for Software Maintenance Services shall be three (3) years commencing on the later of (i) with respect to the Standard Software Products, the expiration of any applicable Software Warranty Period, and with respect to Custom Applications, the date of delivery of such Custom Application to Customer, as described in the applicable Project Schedule and (ii) the date of any service order or request, purchase order, sales order, statement of work, project change request or other agreement pursuant to which Scan-Optics agrees to provide the applicable Software Maintenance Services. Prior to the expiration of the initial term for Software Maintenance Services, and each renewal term thereafter, Scan-Optics will notify Customer of the expiration date of such maintenance term and the applicable fee for renewal. The charges for Software Maintenance Services (the "Annual Maintenance Charge") for the initial term shall be as set forth in Appendix B-1, and for each renewal term shall be Scan-Optics' rate then in effect for such year, which Annual Maintenance Charge shall be payable annually, in advance, within thirty (30) days of the date of invoice, and shall be non-refundable; provided, however, that any increase in the Annual Maintenance Charge for any renewal term may not exceed seven percent (7%) of the Annual Maintenance Charge for the immediately preceding

maintenance term. Scan-Optics shall invoice Customer for the Annual Maintenance Charge not earlier than forty-five days prior to each annual renewal or anniversary date."

17. For purposes of the Contractor Terms and Conditions, the term "Delivery Date" shall mean the date on which Contractor installs the Hardware and Equipment at the State's site.

18. Notwithstanding anything to the contrary in Attachment A ("Division of Purchasing's Standard Terms and Conditions"):

(a) The State's sole remedy and right to indemnification or release from Scan-Optics for any intellectual property infringement is as set forth in Section 5 of Scan-Optics General terms and Conditions (CO-FR-033); and

(b) Paragraphs 17 and 20 of Attachment A shall not apply to this Contract.

19. **Order of Precedence**. Notwithstanding anything to the contrary in the Contractor Terms and Conditions set forth in Attachment C, but subject to Section 18 of this Attachment B, in the event of any conflicts between Attachment A ("Division of Purchasing's Standard Terms and Conditions"), Attachment B (" State Special Terms and Conditions"), and Attachment C ("Scope of Work", which consists of (a) Scan-Optics, Inc.'s General Terms and Conditions (CO-FR-0033), including Appendices A, A-1, B, B-1, C, C-1, D, E, E-1 and F thereto (the "Contractor Terms and Conditions"), (b) Memorandum of Understanding for Travel Expenses, and (c) an initial Statement of Work (SOW #UTAH 2004-001), the order of precedence shall be in the following order:

Cover Page
Attachment A
Attachment B
Attachment C: Contractor Terms and Conditions
Attachment C: Memorandum of Understanding for Travel Expenses
Attachment C: Statement of Work SOW # UTAH 2004-001

20. **Effectiveness of Equipment and Software Order (Appendices A-1 and B-1)**. Notwithstanding anything to the contrary, Customer shall not be obligated to purchase the Hardware or Equipment described in Appendix A-1 to Contractor's Terms and Conditions or license the Software described in Appendix B-1 to Contractor's Terms and Conditions unless and until the Customer has executed an order for the delivery of Equipment, Hardware and Software (the "Order"), specifying an agreed upon projected delivery date.

ATTACHMENT C

Attachment C consists of the following parts:

I. Scan-Optic's General Terms and Conditions ("Contractor Terms and Conditions"), including Appendices

II. Memorandum of Understanding for Travel Expenses

III. Statement of Work (SOW # UTAH 2004-001)

ATTACHMENT C

I. Scan-Optic's General Terms and Conditions ("Contractor Terms and Conditions"), including Appendices

Unless otherwise agreed by Scan-Optics, Inc. ("Scan-Optics") in a writing signed by an authorized officer of Scan-Optics, the terms and conditions set forth in these General Terms and Conditions, including any applicable Appendix identified below, shall apply to the purchase of all goods, services and software acquired by any Customer from, or through, Scan-Optics. These General Terms and Conditions and any applicable Appendix shall deemed a part of any service order or request, purchase order, sales order, statement of work, project change request or other agreement, which together shall constitute the entire understanding and agreement of the parties (hereinafter, this "Agreement") under which Customer orders or acquires goods, services or software from, or through, Scan-Optics.

1. FEES AND EXPENSES

1.1 Fees. In connection with the goods, services or software licenses to be provided by Scan-Optics to Customer pursuant to any service order or request, purchase order, project change request or other agreement, Customer shall pay to Scan-Optics the applicable fees and other charges set forth therein in accordance with the payment terms described therein or, in the event that no payment terms are specified, fees and other charges shall be due and payable by Customer within 30 days of receipt by Customer of the applicable invoice.

1.2 Taxes. In addition to all fees and charges specified in this Agreement, Customer shall pay (or shall reimburse Scan-Optics if it shall have paid) all taxes, customs, duties and assessments (exclusive of taxes based on the net income of Scan-Optics and inclusive of penalties and interest), however designated, including, but not limited to, excise, sales, use, privilege, personal property, gross receipts and gross income taxes or amounts legally levied in lieu thereof based on or measured by the fees and charges set forth in this Agreement, now or hereafter imposed under the authority of any federal, state or local taxing jurisdiction.

1.3 Expenses. Customer shall be responsible for all out-of-pocket costs and expenses reasonably incurred by Scan-Optics in the performance of services under this Agreement, including, without limitation, all meals, travel, and lodging costs incurred by Scan-Optics personnel. Scan-Optics shall periodically submit to Customer invoices with respect to such costs and expenses incurred by Scan-Optics, which amounts shall become due and payable by Customer within thirty (30) days of the date of the applicable invoice.

1.4 Late Payments. Amounts not paid when due shall bear interest at a rate of one and one-half percent (1.5%) per month (18% per annum) or the maximum rate permitted by law, whichever is lowest. Customer's failure to pay any amount within thirty (30) days of the due date will result in the issuance of a "Stop-Work Order" with respect to the applicable services provided by Scan-Optics to Customer in connection therewith. In the event a Stop-Work Order is issued with respect to services, Scan-Optics' obligation to provide such services shall cease until such time as Customer becomes current on its payment of the applicable service fee (including all past due amounts and applicable late payment charges), at which time any project schedule applicable to such services will be adjusted. In the event a Stop-Work Order is issued with respect to maintenance services, Scan-Optic's obligation to provide such maintenance services shall cease until such time as Customer becomes current on its payment of the applicable maintenance fee (including all past due amounts and applicable late payment charges).

2. REPRESENTATIONS AND WARRANTIES; LIMITATION ON LIABILITY

2.1. Products. Scan-Optics represents and warrants that it has the right to sell or license to Customer the goods and software delivered under this Agreement.

2.2. Services. Scan-Optics represents and warrants that any services that are to be performed by Scan-Optics under this Agreement will be rendered in a professional and workmanlike manner and that such services will be performed by persons with the proper skill, training and background.

2.3. No Warranty. EXCEPT AS EXPRESSLY PROVIDED IN THIS SECTION OR AN APPENDIX TO THIS AGREEMENT, ALL GOODS, SOFTWARE AND SERVICES ARE PROVIDED "AS IS" WITHOUT WARRANTY OF ANY KIND AND SCAN-OPTICS DOES NOT MAKE ANY WARRANTIES, EXPRESS OR IMPLIED, BY OPERATION OF LAW OR OTHERWISE, WITH RESPECT TO THE GOODS, SOFTWARE AND SERVICES, OR THE RESULTS OBTAINED FROM SUCH GOODS, SOFTWARE AND SERVICES. SCAN-OPTICS MAKES NO WARRANTY THAT THE GOODS, SOFTWARE AND SERVICES WILL MEET CUSTOMER'S REQUIREMENTS, THAT ALL ERRORS IN PROGRAMMING WILL BE CORRECTED OR THAT THE OPERATION OF THE GOODS, SOFTWARE AND SERVICES WILL BE UNINTERRUPTED OR ERROR FREE. WITHOUT LIMITING THE FOREGOING, SCAN-OPTICS SPECIFICALLY DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

2.4. Limitation on Liability. UNDER NO CIRCUMSTANCES SHALL SCAN-OPTICS BE LIABLE TO CUSTOMER OR ANY THIRD PARTY UNDER THIS AGREEMENT OR OTHERWISE FOR (a) ANY LOSS OR DAMAGE CAUSED BY OR ARISING OUT OF ANY DELAY IN FURNISHING THE GOODS, SOFTWARE OR SERVICES UNDER THIS AGREEMENT OR ANY ACT THAT IS NOT INTENTIONAL OR RECKLESS IN NATURE; OR (b) ANY INDIRECT, SPECIAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES (INCLUDING, WITHOUT LIMITATION, ANY DAMAGES RESULTING FROM LOSS OF PROFITS, REVENUE, DATA, OR USE), REGARDLESS OF WHETHER SCAN-OPTICS HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. WITHOUT LIMITING THE FOREGOING, CUSTOMER'S SOLE AND EXCLUSIVE REMEDY IN RESPECT OF THIS AGREEMENT OR THE GOODS, SOFTWARE OR SERVICES FURNISHED HEREUNDER SHALL BE LIMITED TO, AT SCAN-OPTICS' OPTION, (a) CORRECTING ANY DEFECT; OR (b) THE REPLACEMENT OF THE GOODS, SOFTWARE OR SERVICES OR ANY PART THEREOF; OR (c) THE REFUND TO CUSTOMER OF THE APPLICABLE FEES ACTUALLY PAID BY CUSTOMER TO SCAN-OPTICS UNDER THIS AGREEMENT WITH RESPECT TO THE GOODS, SOFTWARE OR SERVICES AT ISSUE. IN NO EVENT SHALL SCAN-OPTICS' LIABILITY HEREUNDER EXCEED THE APPLICABLE FEES ACTUALLY PAID BY CUSTOMER TO SCAN-OPTICS UNDER THIS AGREEMENT WITH RESPECT TO THE GOODS, SOFTWARE OR SERVICES AT ISSUE.

3. CONFIDENTIALITY

3.1. Pursuant to or in the course of each party's performance of its obligations under this Agreement, the Parties may disclose to one another certain information which is considered by the disclosing party to be proprietary or confidential information ("Confidential Information"); provided, however, that all proprietary or confidential information of Customer shall be clearly marked as the "Confidential Information" of Customer, or similar marking, in order to be considered and treated as Confidential Information under this Agreement. Without limiting the generality of the foregoing, the Confidential Information of Scan-Optics shall include, but not be limited to, all technology, know-how, inventions, pending patent applications, data, formulas, studies, devices, materials, investigations, reports, financial information, marketing information, business plans and documentation related to the goods, software or services manufactured or sold by Scan-Optics. All such Confidential Information shall remain the sole property of the disclosing party, and its confidentiality shall be maintained and protected by the receiving party with at least the same degree of care, but no less than a reasonable degree of care, as the receiving party uses to maintain and protect its own Confidential Information. The receiving party shall not use the Confidential Information for any purpose other than the implementation of this Agreement nor disclose such Confidential Information to any third party without the consent of the disclosing party, except that each party may disclose the Confidential Information of the other party to such party's employees with a need to know and who agree to be subject to the confidentiality restrictions set forth in this Section. Upon any termination or expiration of this Agreement, all tangible Confidential Information provided by the disclosing party (including all copies thereof) shall be, at the request of the disclosing party, (a) promptly returned to the disclosing party or (b) destroyed and certified as such in writing by an officer of the receiving party.

3.2. The restrictions on the use and disclosure of Confidential Information shall not apply to any information (a) that is or becomes part of the public domain without breach of this Agreement by the receiving party; (b) that can be demonstrated to have been independently developed by the receiving party without access to or the aid, application or use of any Confidential Information of the disclosing party; (c) that the receiving party can establish by written proof was known by the receiving party or rightfully in the receiving party's possession prior to disclosure to it by the disclosing party; (d) that is rightfully received by the receiving party from a third party who is not under an obligation of confidentiality with respect thereto; or (e) that is disclosed under operation of law or pursuant to legal or regulatory process, provided that the receiving party takes all reasonable steps to restrict and maintain the confidentiality of such disclosure and provides reasonable advance notice of such disclosure to the disclosing party.

4. PROPRIETARY RIGHTS AND OWNERSHIP

4.1. Proprietary Rights of Scan-Optics. Except as otherwise expressly provided in this Agreement, Scan-Optics shall retain all right, title and interest in and to the goods and software delivered hereunder, and any other developments, improvements, devices, tools, models, programs, techniques, ideas, concepts, inventions, processes, works of authorship, or work product developed or created by Scan-Optics or its personnel in connection with the provision of services hereunder. Customer agrees to execute any and all documents reasonably necessary to recognize such ownership by Scan-Optics.

4.2. General Know-How. Notwithstanding anything to the contrary in this Agreement, Scan-Optics and its personnel shall be free to use and employ general skills, know-how, and expertise, and to use, disclose, and employ any generalized ideas, concepts, know-how, methods, techniques, or skills gained or learned during the course of the provision of services hereunder, so long as such information is acquired and applied without disclosure of any Confidential Information of Customer.

4.3. Non-Exclusivity. Scan-Optics shall retain the right to perform for third parties work and services of the same or different kind as the work and services performed by Scan-Optics to Customer hereunder.

4.4. No Reverse Engineering. Customer hereby agrees that it will not disassemble, decompile, reverse-engineer, modify or otherwise translate or attempt to duplicate or distribute or otherwise misuse any goods or software, in whole or in part, provided by Scan-Optics to Customer hereunder.

4.5. Security Interest. Customer hereby grants, and Scan-Optics shall hereby retain, a security interest and right of possession in all goods and copies of software shipped to Customer to secure, and until payment in full of, the prompt and full payment by Customer of the applicable fee therefor. Customer's failure to pay any such fee when due, or Customer's insolvency or bankruptcy, shall give Scan-Optics the right to repossess and remove the applicable goods and software at any time after Scan-Optics provides ten (10) days' prior written notice to Customer. Such repossession shall be in addition to any other remedies Scan-Optics may have, in law or in equity, including the remedies available to a secured party under Article 9 of the Uniform Commercial Code. Customer agrees to take all acts necessary to perfect and maintain such security interest and right in Scan-Optics, including the execution for filing of appropriate financing statements.

5. INDEMNIFICATION

5.1. By Scan-Optics. Scan-Optics shall defend, indemnify, and hold harmless Customer, its officers, directors, trustees, employees, agents, representatives, affiliates and permitted assigns, from and against any and all losses, liabilities, damages, settlements, judgments (collectively "Losses") arising out of any suit or proceedings, but only to the extent such Losses are directly related to a third party claim for infringement of a United States patent or copyright and arise solely as a result of the acquisition or use by Customer of the goods, software and services acquired hereunder, as such are delivered by Scan-Optics to Customer and are unmodified by Customer or any third party. If any goods or software is, in the opinion of Scan-Optics, likely to or does become the subject of the type of claim described in this Section 0, Scan-Optics, at its sole option, may procure for Customer the right to continue to use such goods or software or Scan-Optics may modify or replace such goods or software so as to render it to be non-infringing so long as the modified or replaced product contains substantially the same functionalities. In the event Scan-Optics deems the foregoing impractical, Scan-Optics shall refund to Customer all fees paid to Scan-Optics hereunder in connection with the allegedly infringing product. Scan-Optics shall not be liable to Customer under this Section if such infringement is caused by or based upon (a) Customer's breach of this Agreement; (b) the use of such goods or software in connection with products not sold by Scan-Optics; (c) Customer's unauthorized use of or modifications to such goods or software; or (d) a custom design or change requested by Customer if Scan-Optics' standard or unchanged goods or software does not infringe the United States patent or copyright of a third party. The foregoing states Scan-Optics' entire liability, and Customer's sole and exclusive remedy against Scan-Optics, with respect to infringement or any claim thereof of any United States patent or copyright. Customer agrees to give Scan-Optics prompt, written notice of any such claim, sole control of the defense and settlement of such claim, and, at Scan-Optics' sole cost and expense, all reasonable assistance to defend such claim.

5.2. By Customer. Customer shall defend, indemnify, and hold harmless Scan-Optics, its officers, directors, trustees, employees, agents, representatives, affiliates and permitted assigns, from and against any and all losses, liabilities, claims, damages, actions, suits, proceedings, settlements, judgments, losses, costs and expenses (including without limitation reasonable attorney's fees) arising out of or in connection with (a) the willful misconduct, fault or negligence of Customer and (b) any use by Customer of the goods, software or services or the results thereof. Scan-Optics agrees to give Customer prompt, written notice of any such claim, sole control of the defense and settlement of such claim, and, at Customer's sole cost and expense, all reasonable assistance to defend such claim.

6. TERM; TERMINATION

6.1. Termination. In addition to any termination rights expressly granted to a party elsewhere in this Agreement, each party shall have the right to terminate this Agreement and/or any applicable Appendix hereto, after taking into consideration the applicable cure period, if any, specifically set forth in this Section 6.1, upon the occurrence of any one or more of the following events:

(a) if Customer fails to pay any fee or amount when due and payable; or

(b) if the other party commits a material breach of its obligations under this Agreement and, within thirty (30) days after receiving written notice of the breach from the non-breaching party, fails either to cure such material breach or, if such material breach cannot be cured within such thirty (30) day period, to materially commence steps to remedy such material breach within the thirty (30) day period and thereafter continue to pursue such remedy until complete; or

(c) if the other party becomes insolvent or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors; or

(d) if (i) a petition under any foreign, state or United States bankruptcy act, receivership statute, or the like, as they now exist, or as they may be amended, is filed by the other party, or (ii) such a petition is filed with respect to such other party by any third party, or an application for a receiver is made by anyone and such petition or application is not terminated, withdrawn or otherwise resolved favorably within sixty (60) days.

6.2. Effect of Termination. Upon any termination of this Agreement or any applicable Appendix, (a) each party shall promptly return to the other party any Confidential Information of such other party in its possession; (b) Customer shall promptly discontinue use of all software products licensed to Customer by Scan-Optics and shall return all copies of such software to Scan-Optics; and (c) Customer shall immediately pay all amounts then due and payable to Scan-Optics. All sections of this Agreement (including any Appendices hereto) relating to confidentiality, ownership of intellectual property, security interests, indemnification, limitations on liability, dispute resolution and miscellaneous provisions shall survive termination of this Agreement.

7. DISPUTE RESOLUTION

Without prejudice to either party's termination rights described in Section 6.1 above, any controversy, claim, dispute, controversy or disagreement arising out of or relating to this Agreement whether in contract or in tort or otherwise ("Dispute") will be resolved, on a confidential basis, exclusively according to the following process, which either party may start by delivering to the other party a written notice describing the Dispute and the amount involved ("Demand"):

(a) After receipt of a Demand, authorized representatives of the parties will meet at a mutually agreed upon time and place to try, in good faith and using commercially reasonable efforts, to promptly resolve the Dispute by negotiation. If the Dispute remains unresolved after this meeting, either party may start mandatory non-binding mediation under the Commercial Mediation Rules of the American Arbitration Association (AAA).

(b) Any Dispute that remains unresolved after forty-five (45) days after the receipt of the Demand will be resolved exclusively and finally by binding arbitration. Such arbitration will be conducted by the American Arbitration Association ("AAA") in the city nearest the other party's main U.S. office having an AAA regional Office and will be initiated and conducted in accordance with the Commercial Arbitration Rules ("Commercial Rules") of the AAA, including the AAA Supplementary Procedures for Large Complex Commercial Disputes ("Complex Procedures"), as such rules will be in effect on the date of delivery of a demand for arbitration, except to the extent that such rules are inconsistent with the provisions set forth herein. Notwithstanding the foregoing, the Parties may agree in good faith that the Complex Procedures will not apply in order to promote the efficient arbitration of Disputes where the nature of the Dispute, including without limitation the amount in controversy, does not

justify the application of such procedures. The arbitration will be before one arbitrator; however, before the selection of the arbitrator, a party may require, at its sole additional expense, a three arbitrator panel. The arbitrator(s) will be selected from a panel of persons having experience with and knowledge of computers and software products. At least one of the arbitrators selected will be an attorney. No statements by, or communications between, the parties during negotiation or mediation, or both, under this Section will be admissible for any purpose in arbitration. The arbitrator(s) will have no authority to award punitive damages or any other monetary relief not measured by the prevailing party's actual damages (adjustments for time value of money permitted), and will not make any decision inconsistent with the terms and conditions of this Agreement. Each party will pay the fees of its own attorneys, expenses of witnesses and all other expenses and costs in connection with the presentation of such party's case (collectively, "Attorneys' Fees"). The remaining costs of the arbitration, including without limitation, fees of the arbitrators, costs of records or transcripts and administrative fees (collectively, "Arbitration Costs") will be borne equally by the Parties. Any award by the arbitrator(s) will be accompanied by a written opinion setting forth the findings of fact and conclusions of law relied upon in reaching the decision. The award rendered by the arbitrator(s) will be final, binding and non-appealable, and judgment upon such award may be entered by any court of competent jurisdiction. The Parties agree that the existence, conduct and content of any arbitration will be kept confidential and no party will disclose to any person any information about such arbitration, except as may be required by law or by any governmental authority or for financial reporting purposes in each party's financial statements.

Nothing in this Section will preclude a party's recourse to a court of competent jurisdiction to (a) enforce the terms of, or an arbitration award under, this Section, (b) seek temporary equitable relief necessary to protect its interests, or (c) recover specific property, including an action in replevin. Neither arbitration under this Section nor any legal action, regardless of its form, related to or arising out of this Agreement may be brought more than two (2) years after the cause of action first accrued, except if a Demand is made within forty-five (45) days before the end of this two (2) year period in which case the parties shall have sixty (60) additional days from the Demand to start arbitration under this Agreement. The Federal Arbitration Act, 9 U.S.C. Secs. 1-16, and not state law, will govern the arbitrability of all Disputes. The arbitrators will allow such discovery as is appropriate to the purposes of arbitration in accomplishing a fair, speedy and cost-effective resolution of the Disputes. The arbitrators will reference the Federal Rules of Civil Procedure then in effect in setting the scope and timing of discovery. The Federal Rules of Evidence will apply in toto. The arbitrators may enter a default decision against any party who fails to participate in the arbitration proceedings.

8. MISCELLANEOUS

8.1. Party Representatives. Each party shall identify a technical representative and an Agreement representative to serve as the primary points of contact with respect to technical and contract issues, respectively. Each party shall be entitled to change the technical and contract issues representatives upon providing prior notice to the other party.

8.2. Non-Solicitation. Without the prior written consent of the other party, neither party shall recruit or solicit for employment, or employ, any then-current employee of the other party who is or has been directly involved in providing any services under this Agreement until twelve (12) months after the date such employee last provides any services hereunder.

8.3. Independent Contractors. The relationship of the parties hereto shall be that of independent contractors. Nothing herein shall be construed to create any partnership, joint venture, or similar relationship, or to subject the Parties to any implied duties or obligations respecting the conduct of their affairs which are not expressly stated herein.

8.4. Publicity. Scan-Optics shall have the right, at its expense, to (a) list Customer in its general listing of customers, and (b) issue one (1) press release regarding the general nature of the goods, software and services provided under this Agreement. Except as provided in the foregoing sentence, neither party shall, in connection with its activities under this Agreement, use the name, trade name, trademark or service mark of the other party in any way without the prior written consent of the other party, which consent may be withheld in the sole discretion of the party.

8.5. Assignment. Scan-Optics may assign this Agreement without notice. Customer shall not assign this Agreement or any of its rights, interests or obligations hereunder whether voluntarily, by operation of law, or otherwise without the prior written consent of Scan-Optics in its sole discretion, and any attempt to do so without such consent shall be void. Subject to the foregoing, this Agreement shall be binding upon the parties and their respective successors and permitted assigns.

8.6. No Waiver. No waiver by either party of any right or provisions under this Agreement shall be valid or enforceable unless it shall be in writing signed by the party granting the waiver. Any waiver of any right or provision of this Agreement shall be valid only for a given instance and shall not be deemed continuing, nor shall any such waiver be construed as a waiver of any other right or provision of this Agreement.

8.7. Severability. The provisions of this Agreement are intended to be severable. If any provision of this Agreement is held to be void, invalid or unenforceable under any rule of law, all other provisions of this Agreement shall remain in force and shall not be affected thereby. Further, the provision which is held to be void, invalid or unenforceable shall be deemed modified, in accordance with the intention of the Parties, to the least degree necessary to remedy such invalidity or unenforceability.

8.8. Notices. All notices or other communications under this Agreement shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by facsimile (with proof of proper transmittal), or by registered or certified mail, postage prepaid, return receipt requested, (i) if to the Customer, addressed to the address set forth in any applicable service order or request, purchase order, project change request or other agreement or, if not so specified, to the address to which invoices are delivered, and (ii) if to Scan-Optics, addressed to the attention of the President at 169 Progress Drive, Manchester, Connecticut 06040-2294, or to such other address as may be designated by Scan-Optics in writing and delivered to the Customer in accordance with this Section.

8.9. Headings. The descriptive headings contained in this Agreement are for convenience of reference only and shall not in any way affect the meaning or interpretation of this Agreement.

8.10. Governing Law. This Agreement and all disputes arising in connection herewith shall be governed by and construed in accordance with the laws of the State of Connecticut, without regard to the conflict of law principles thereof.

8.11. Restricted Rights (Government Contracts). The Products include commercial technical data and/or computer licensed databases and/or commercial computer software and/or commercial computer software documentation, as applicable, that were developed exclusively at private expense by Scan-Optics and/or its licensors. U.S. Government rights to use, modify, reproduce, release, perform, display, or disclose these technical data and/or computer licensed databases and/or commercial computer software and/or commercial computer software documentation are subject to the limited rights restrictions of DFARS 252.227-7015(b)(2) (June 1995) and/or subject to the restrictions of DFARS 227.7202-1(a) (June 1995) and DFARS 227.7202-3(a) (June 1995), as applicable for U.S. Department of Defense procurements and the limited rights restrictions of FAR 52.227-14 (June 1987) and/or subject to the restricted rights provisions of FAR 52.227-14 (June 1987) and FAR 52.227-19 (June 1987), as applicable, and any applicable agency FAR Supplements, for non-Department of Defense Federal procurements.

8.12. Force Majeure. Scan-Optics shall not be liable to Customer or deemed in breach of this Agreement for its failure or delay in performing any of its obligations under this Agreement during any period in which such performance is rendered impracticable or impossible due to circumstances beyond Scan-Optics' reasonable control, including, but not limited to, acts of God, fire, explosion, flood, drought, riot, sabotage, war, invasion, embargo, strikes or other labor trouble, failure in whole or in part of suppliers to deliver materials, equipment or machinery, interruption of or delay in transportation, or compliance with any order or regulation of any government entity acting with color of right.

8.13. Entire Agreement; Amendments. This Agreement (including any applicable Appendices) sets forth the entire understanding and agreement of the parties as to the subject matter of this Agreement, and supercedes all prior proposals and understandings, oral or written, relating to such subject matter. This Agreement may be amended only by a writing executed by the parties hereto.

8.14. Additional Terms. Any additional terms or conditions provided by Customer on any purchase order or other document shall not be binding on Scan-Optics unless such purchase order or other document is explicitly accepted by Scan-Optics in writing.

LIST OF
APPLICABLE APPENDICES

The Appendices checked below form part of this Agreement:
Appendix A (Terms and Conditions for Hardware and Equipment) ☒
Appendix A-1 (Equipment Sales Order) ☒

Appendix B (Terms and Conditions for Software License)	☒	Appendix D (Hardware and Equipment Maintenance)	☒
Appendix B-1 (Software License Order)	☒	Appendix E (Software Maintenance Services)	☒
Appendix C (Terms and Conditions for Professional Services)	☒	Appendix E-1 (Software Maintenance Policies and Procedures)	☒
Appendix C-1 (Statement of Work)	☒	Appendix F (Customer Representatives)	☒

Unless otherwise agreed by Scan-Optics, Inc. ("Scan-Optics") in a writing signed by an authorized officer of Scan-Optics, the terms and conditions set forth in these Terms and Conditions for Purchase and Sale of Hardware and Equipment shall apply to the purchase of all hardware and equipment by Customer from, or through, Scan-Optics. These Terms and Conditions for Purchase and Sale of Hardware and Equipment shall be deemed part of any service order or request, purchase order, sales order, statement of work, project change request or other agreement, which together with Scan-Optics' General Terms and Conditions shall constitute the entire understanding and agreement of the parties (hereinafter, this "Agreement") under which Customer orders or acquires hardware and equipment from, or through, Scan-Optics.

1. Purchase Order. Scan-Optics shall sell and deliver to Customer, and Customer shall purchase from Scan-Optics the hardware and equipment (the "Hardware and Equipment") described in the Sales Order attached hereto or other service order or request, purchase order, sales order, statement of work, project change request or other agreement setting forth the items and quantity of Hardware and Equipment to be purchased by Customer, the applicable price thereof (the "Hardware and Equipment Price"), the applicable Maintenance Charge, if any, delivery information, and requested shipping date(s) (the "Sales Order").

2. Hardware and Equipment Price. Scan-Optics agrees to the following payment terms in accordance with the Utah State Tax Commission's request:

Unless otherwise agreed in writing, Customer shall pay Scan-Optics the Hardware and Equipment Price and applicable first-year Annual Maintenance Charges, if any, as follows:

(a) 25% of the Hardware and Equipment Price and first-year Aggregate Annual Maintenance Charges shall become due and payable immediately, upon demand; and

(b) 75% of the Hardware and Equipment Price and first-year Aggregate Annual Maintenance Charges shall become due and payable within thirty (30) days of the "Delivery Date," which shall be the date on which Scan-Optics installs the Hardware and Equipment at the Customer's site.

3. Shipping Terms and Costs. The Hardware and Equipment purchased by Customer shall be shipped F.O.B. Scan-Optics' plant in Connecticut, at which time risk of loss and damage shall pass to Customer. Customer shall pay (or reimburse Scan-Optics for) all shipping and related costs incurred in connection with the delivery by Scan-Optics of the Hardware and Equipment by Scan-Optics to Customer.

4. Installation. Within a reasonable time after the execution of this Agreement, Scan-Optics shall furnish to Customer any applicable specifications, space requirements or other instructions pertaining to the Hardware and Equipment that are necessary for Customer to properly prepare its site for installation of the Hardware and Equipment (the "Site Preparation Instructions"). Customer shall be responsible for preparing the installation site in accordance with the Site Preparation Instructions and furnishing the labor and equipment required to move the Hardware and Equipment from Customer's loading dock into the installation site where such Hardware and Equipment is to be installed. Customer shall notify Scan-Optics in writing upon its completion of the foregoing and Scan-Optics shall deliver the Hardware and Equipment to Customer's site and, if specified in the Agreement, install the Hardware and Equipment on a date and time mutually agreed upon by the Parties. Unless otherwise agreed in writing, all charges and expenses in connection with such installation, including labor and material, shall be borne by Customer. In addition, in the event Scan-Optics personnel arrive at the applicable Customer site and such site is not ready or Customer is otherwise not prepared to have Scan-Optics install the Hardware and Equipment, the extra costs incurred by Scan-Optics for travel, time and materials shall be payable by Customer at Scan-Optics' then-current standard rates. In connection with the work and services performed by Scan-Optics' personnel at Customer's site, Customer shall take all necessary precautions to prevent injury to person or property and shall indemnify Scan-Optics against all loss or damages (including damage to property and injury to or death of personnel) which may result from the performance of such work and services. Customer agrees to give Scan-Optics notice of any transfer of the Hardware and Equipment from its installation site to another location within thirty (30) days of such transfer.

5. Equipment Maintenance. For a period of five (5) years commencing on the applicable Delivery Date, and so long thereafter as Scan-Optics continues to offer to its other customers Equipment Maintenance Services for the Hardware and Equipment, Customer may purchase Equipment Maintenance Services for the Hardware and Equipment described in the Equipment Sales Order, subject to Scan-Optics' then-current standard terms and conditions for Equipment Maintenance Services.

6. Supplies Excluded. Accessories and expendable supplies that are necessary to operate, or that are used or useful in the operation of, the Hardware and Equipment, including but not limited to magnetic tapes, cards, disk packs, paper or other supplies, are not included in any purchase and sale of Hardware and Equipment and are the sole responsibility of Customer.

7. Warranty. Scan-Optics warrants that on the Delivery Date and for a period of thirty (30) days thereafter (the "Equipment Warranty Period") the Hardware and Equipment will be new, free from material defects in workmanship and materials, and will conform to and perform in accordance with the then-current published Technical Specifications for such Hardware and Equipment. In the event that the Hardware or Equipment fails to conform to the foregoing warranty and Customer provides, during the Equipment Warranty Period, written notice to Scan-Optics identifying of specific defects, Scan-Optics shall, at its option, repair or replace the defective Hardware and Equipment. Following such repair or replacement, the thirty (30) day Equipment Warranty Period shall continue for the number of days remaining in the Equipment Warranty Period following the date of Customer's written notice to Scan-Optics of specific defects. The foregoing shall be Customer's exclusive remedy for breach of this warranty. Misuse, accident, modification, unsuitable physical or operating environment, improper maintenance by Customer or failure caused by an item for which Scan-Optics is not responsible may void this warranty. Except as otherwise expressly stated in the Agreement, this warranty replaces any other warranty, express or implied, including the implied warranties of merchantability and fitness for a particular purpose.

8. Warranty Limitations. THE FOREGOING SCAN-OPTICS' WARRANTIES ARE LIMITED, AND APPLY ONLY, AS FOLLOWS:

(a) Scan-Optics' warranties do not extend to operation of the Hardware and Equipment in combination with any other equipment, nor in any operating environment (e.g., operating system), other than as specified in the applicable published Technical Specifications.

(b) Except as may be expressly agreed in writing by Scan-Optics, Scan-Optics' warranties do not apply to:

(i) any Hardware or Equipment that is modified by any person other than Scan-Optics; nor

(ii) use of the Hardware or Equipment other than in accordance with the most current operating instructions provided by Scan-Optics; nor

(iii) errors caused by defects, problems, or failures of hardware or software not provided by Scan-Optics; nor

(iv) errors caused by negligence of Customer or any other person, except Scan-Optics.

(c) Without limiting the generality of the exclusions set forth in this Section, Scan-Optics' warranties do not include any warranty:

(i) that the functions performed by the Hardware and Equipment will meet Customer's requirements or will operate in the combinations that may be selected for use by Customer, nor

(ii) that the operation of the Hardware and Equipment will be error free in all circumstances, nor

(iii) that all defects in the Hardware and Equipment that are not material with respect to the functionality thereof as set forth in the published Technical Specifications or other documentation will be corrected, nor

(iv) that the operation of the Hardware and Equipment will not be interrupted for short periods of time by reason of defect therein or by reason of fault on the part of Scan-Optics.

(d) Without limiting the generality of the exclusions set forth in this Section, and except as otherwise provided in this Agreement, Customer shall be exclusively responsible as between the Parties for, AND SCAN-OPTICS MAKES NO WARRANTY OR REPRESENTATION WITH RESPECT TO:

(i) determining whether the Hardware and Equipment will achieve the results desired by Customer;

(ii) selecting, procuring, installing, operating, and maintaining third party software or Custom Applications required to satisfy Customer's requirements;

(iii) training Customer's personnel in computer operations, other than such Scan-Optics-provided training as is expressly set forth in this Agreement;

(iv) ensuring the accuracy of any input data used with the Hardware and Equipment;

(v) establishing adequate data backup provisions for backing up Customer's data; and

(vi) establishing adequate operational backup provisions (e.g., alternate manual operation plans) in the event of a defect or malfunction that impedes the anticipated operation of the Hardware and Equipment.

Dated: July 6, 2004_____

PDC	Software Components	QTY	Unit Price	Extended Price	Annual Support
	Open-Track Primary Scanner Model:				
005000-Duplex, 55501016-0A, 55501036-0A	SO-Series Image Only Duplex Scanner with; 1,000 sheet continuous Automatic Document Feeder with Field Switchable Center/Edge Feeder, Acoustic & Over-length Doubles Detect; Open Vacuum-belt Transport with Hand-drop Zone; Pre-Camera Inkjet Printer with Patchcode Incrementing; 320 dpi 24-bit color cameras with 4096 pixel elements & 12.8" Field-of-View; Image enhancements including de-skew, cropping, brightness, contrast, edge detection, slant correction, sharpening filter & pixel correction; 20 AMP, 110 VAC, 60 Hz power supply; MS61 & TWAIN Drivers. The Purchase Price includes a 90-day warranty, therefore, the year-1 support cost is for 9-months to round out the first year. This is the case for the optional 2-pocket stacker, patchcode reader and MICR readers listed below.	1	$63,990	$63,990	$7,425
	Open-Track Scanner Options:				
005043-1	2 Pocket First-In-First-Out Money-wheel Stackers with run-out bin. One money-wheel stacker for checks, one money-wheel stacker for returns and other documents and one run-out bin to clear the transport from when there is an interuption in the scan-session.	1	$47,500	$47,500	$4,950
005018-1	Pre-Camera Patch Code Reader	1	$1,425	$1,425	$153
005017-1	Pre-Camera MICR Reader	1	$4,750	$4,750	$495
	Sub-Total Primary Scanner Pricing			**$117,665**	
	Primary Scanner Maintenance & Support Year 1				**$13,023**
	Primary Scanner Maintenance & Support Year 2				**$15,780**
	Primary Scanner Maintenance & Support Year 3				**$15,780**
	Second Scanner Model:				
RPQ	Fujitsu M4099D-B Color Production Document Scanner with 1,000 sheet automatic document feeder, infrared & length doubles detection, SCSI Interface, ISIS & TWAIN drivers, ScanRight Image Processs Control. The Purchase Price includes a 90-day warranty, therefore, the year-1 support cost is for 9-months to round out the first year. This is the case for the optional post-scan imprinter listed below.	1	$26,244	$26,244	$3,852
	Second Scanner Options:				
RPQ	Backside post-scan endorser with 30 character printing capability for use with the DSS software.	1	$3,244	$3,244	$365
	Sub-Total Secondary Scanner Pricing			**$29,488**	
	Secondary Scanner Maintenance & Support Year 1				**$4,217**
	Secondary Scanner Maintenance & Support Year 2				**$5,623**
	Secondary Scanner Maintenance & Support Year 3				**$5,623**
	Combined Primary & Secondary Scanner Totals				
	Total Scanner Pricing			**$147,153**	
	Total Scanner Maintenance & Support Year 1				**$17,240**
	Total Scanner Maintenance & Support Year 2				**$21,403**
	Total Scanner Maintenance & Support Year 3				**$21,403**

Unless otherwise agreed by Scan-Optics, Inc. ("Scan-Optics") in a writing signed by an authorized officer of Scan-Optics, the terms and conditions set forth in these Terms and Conditions for Software Licenses shall apply to the purchase of all software licenses by Customer from, or through, Scan-Optics. These Terms and Conditions for Software Licenses shall be deemed part of any service order or request, purchase order, sales order, statement of work, project change request or other agreement, which together with Scan-Optics' General Terms and Conditions shall constitute the entire understanding and agreement of the parties (hereinafter, this "Agreement") under which Customer orders or acquires software licenses from, or through, Scan-Optics.

1. License Order. Scan-Optics shall license and deliver to Customer, in accordance with this Appendix, the Scan-Optics supplied operating systems software, development tools software, application software and related documentation (the "Standard Software Products") described in the License Order attached hereto or other service order or request, purchase order, sales order, statement of work, project change request or other agreement that identifies the Standard Software Products to be licensed by Customer, the type of licenses, the number of licenses, the applicable fees in connection therewith (the "Standard Software Products License Charge"), the applicable software maintenance charges with respect to such Standard Software Products (the "Maintenance Charges"), delivery information, and requested shipping date(s) (the "License Order").

2. License Grant. Effective upon the execution of this Agreement, Scan-Optics grants to Customer a limited, non-exclusive, non-transferable license (subject to termination in accordance with Section 6.1 of the Agreement) in connection with Customer's internal data/document processing by Customer's employees at the location designated on the License Order and, specifically:

(i) with respect to Scan-Optics Operating Software (as defined on the License Order), to install and use the number of copies of such Operating Software products set forth on the License Order solely on one stand-alone (i.e. not networked) work station or machine per licensed copy;

(ii) with respect to Scan-Optics Single Station Applications (as defined on the License Order), to install and use the number of copies of such Single Station Application products set forth on the License Order solely on one stand-alone (i.e. not networked) work station or machine per licensed copy;

(iii) with respect to Scan-Optics Server-Based Applications (as defined on the License Order), to install and use such Server-Based Applications products set forth on the License Order solely on a single server for use by the number of concurrent users at a single physical location set forth on the License Order;

(iv) with respect to those Scan-Optics WAN-based Applications (as defined on the attached License Order), to install and use such WAN-based Applications products set forth on the License Order solely on a single server for use by the number of concurrent users set forth on the License Order at multiple locations over a wide area network; and

(v) with respect to Scan-Optics Development Software (as defined in the attached License Order), to install and use the number of copies of such Development Software products set forth on the License Order solely on one stand-alone (i.e. not networked) work station or machine per licensed copy.

Each Operating Software, Single Station Application, and Development Software Product permits installation on a single computer only and may not be installed, accessed, displayed, run, shared or used concurrently on or from different computers, including a workstation, terminal or other digital electronic device. In addition to the foregoing, Customer may make only one (1) copy of each Standard Software Product for backup, archival, and disaster recovery purposes.

On each copy of a Standard Software Product, Customer shall reproduce all notices or legends appearing on the original copy, including the copyright notice. All copies of the Standard Software Products made or received by Customer can be used only as permitted under this Agreement. At any time within ten (10) days after Scan-Optics' written request, Customer shall inform Scan-Optics of the number and location of all copies of the Standard Software Products that have been made by Customer. Scan-Optics shall have a right to audit compliance with this Section at reasonable times.

3. Delivery of Standard Software Products. Within a reasonable time following the execution of the Agreement, Scan-Optics shall deliver to Customer (the "Standard Software Product Delivery Date") a master copy of (a) the applicable Standard Software Products in magnetic or digital medium, as applicable; (b) the applicable Scan-Optics System User Guide; and (c) the Scan-Optics System Installation Guide. Any cost associated with such delivery shall be borne by Customer. Scan-Optics shall deliver all Standard Software Products licensed by Customer F.O.B. Scan-Optics' plant in Connecticut, at which time risk of loss and damage shall pass to Customer. Customer shall pay (or reimburse Scan-Optics for) all shipping and related costs incurred in connection with the delivery of all Standard Software Products and related materials to Customer.

4. Standard Software Product License Charges. In connection with the license of any Standard Software Product granted by Scan-Optics to Customer, Customer shall pay Scan-Optics the Standard Software Product License Charges and applicable first-year Annual Maintenance Charges, if any, as follows:

(a) 25% of the Standard Software Product License Charges and first-year Aggregate Annual Maintenance Charges shall become due and payable immediately, upon demand; and

(b) 75% of the Standard Software Product License Charges and first-year Aggregate Annual Maintenance Charges shall become due and payable within thirty (30) days receipt of the applicable Software Product Delivery Date.

5. Installation of Standard Software Products. Installation of the Standard Software Products is the responsibility of Customer.

6. Restrictions. Customer shall have no right to allow any person or entity who is not a party to this Agreement or who is not an employee of a party to this Agreement to access the Standard Software Products directly or indirectly in any way, at Customer's site or via remote communication methods. Customer shall not (a) copy, reproduce, or modify any of the Standard Software Products for any purpose other than as expressly permitted under this Agreement; or (b) distribute, rent, sublicense, share, transfer or lease the Standard Software Products to any person or entity which is not a party to this Agreement or use the Standard Software Products to provide service bureau or similar services (unless expressly permitted on any License Order).

7. Software Maintenance. For a period of three (3) years commencing on the expiration of any applicable Software Warranty Period, and so long thereafter as Scan-Optics continues to offer to its other customers Software Maintenance Services for the Standard Software Products licensed hereunder, Customer may purchase Software Maintenance Services for the Standard Software Products described in the License Order, subject to Scan-Optics' then-current standard terms and conditions for Software Maintenance Services

8. Warranty. Subject to the limitations set forth in this Section and the General Terms and Conditions, Scan-Optics warrants that on the Delivery Date and for a period of thirty (30) days thereafter (the "Software Warranty Period") the Standard Software Products described in the License Order will operate substantially in accordance with the specifications set forth in Scan-Optics' standard published documentation delivered to Customer with the Standard Software Products (the "Documentation"). In the event that any such Standard Software Product fails to perform as warranted and Customer provides, during the Software Warranty Period, written notice to Scan-Optics identifying specific non-conformances with the foregoing warranty, as Customer sole remedy TO THE EXCLUSION OF ALL OTHER REMEDIES THEREFOR, Scan-Optics shall, at its option, repair or replace the defective Standard Software Product. Following such repair or replacement, the thirty (30) day Software Warranty Period shall continue for the number of days remaining in the Software Warranty Period following the date of Customer's written notice to Scan-Optics of specific defects. Subject to the limitations set forth in this Appendix and the General Terms and Condition, Scan-Optics warrants that each copy of the Standard Software Products provided by Scan-Optics is and will be free from physical defects in the media that tangibly embodies the copy (the "Physical Media Warranty"), subject to the following: (a) the Physical Media Warranty does not apply to defects discovered more than thirty (30) days after the date of delivery of the copy by Scan-Optics; (b) the Physical Media Warranty does not apply to defects arising from acts of non-Customer personnel, misuse, theft, vandalism, fire, water, acts of God, or other peril, (c) Customer's sole remedy for breach of the Physical Media Warranty, TO THE EXCLUSION OF ALL OTHER REMEDIES THEREFOR, shall be replacement by Customer of any copy provided by Customer that does not comply with the warranty at Customer's expense, including shipping and handling costs. Misuse, modification, unsuitable operating environment, improper maintenance by Customer or failure caused by interaction with hardware or software for which Scan-Optics is not responsible may void this warranty. Except as otherwise expressly stated in the Agreement, this warranty replaces any other warranty, express or implied, including the implied warranties of merchantability and fitness for a particular purpose.

9. Warranty Limitations. THE FOREGOING SCAN-OPTICS' WARRANTIES ARE LIMITED, AND APPLY ONLY, AS FOLLOWS:

(a) Scan-Optics' warranties do not extend to operation of the Standard Software Products on any hardware configuration, nor in any operating environment (e.g., operating system), other than as specified in the applicable Documentation.

(b) Scan-Optics' warranties do not extend to operation of the Standard Software Products in conjunction with any computer program (e.g., "terminate and stay resident" utility programs) other than as specified in the Documentation.

(c) Except as may be expressly agreed in writing by Scan-Optics, Scan-Optics' warranties do not apply to:

(i) any copy of the Standard Software Product that is modified by any person other than Scan-Optics; nor

(ii) use of the Standard Software Product other than in accordance with the most current operating instructions provided by Scan-Optics; nor

(iii) errors caused by defects, problems, or failures of hardware or software not provided by Scan-Optics; nor

(iv) errors caused by negligence of Customer or any other person except Scan-Optics.

(d) Without limiting the generality of the exclusions set forth in this Section, Scan-Optics' warranties do not include any warranty:

(i) that the functions performed by the Standard Software Products will meet Customer's requirements or will operate in the combinations that may be selected for use by Customer, nor

(ii) that the operation of the Standard Software Products will be error free in all circumstances, nor

(iii) that all defects in the Standard Software Product(s) that are not material with respect to the functionality thereof as set forth in the Documentation will be corrected, nor

(iv) that the operation of the Standard Software Product(s) will not be interrupted for short periods of time by reason of defect therein or by reason of fault on the part of Scan-Optics.

(e) Without limiting the generality of the exclusions set forth in this Section, and except as otherwise provided in this Agreement, Customer shall be exclusively responsible as between the Parties for, AND SCAN-OPTICS MAKES NO WARRANTY OR REPRESENTATION WITH RESPECT TO:

(i) determining whether the Standard Software Products will achieve the results desired by Customer;

(ii) selecting, procuring, installing, operating, and maintaining computer hardware to run the Standard Software Product;

(iii) training Customer's Personnel in computer operations, other than such Scan-Optics-provided training as is expressly set forth in this Agreement;

(iv) ensuring the accuracy of any input data used with the Standard Software Products;

(v) establishing adequate data backup provisions for backing up Customer's data; and

(vi) establishing adequate operational backup provisions (e.g., alternate manual operation plans) in the event of a defect or malfunction that impedes the anticipated operation of the Standard Software Products.

Dated: July 6, 2004

Scan-Optics Software

Install Location	PDC	Software Components	QTY	Unit Price	Extended Price	Annual Support Total
		Scan-Optics Single Station Applications				
Utah-Tax	55151035-0ASOD	Document Scan Station (DSS) scanner control software for the SO-Series Duplex Color Scanner with programable ICN controls and red/blue/green software color dropout. (1 License)	1	$10,781	$10,781	$2,156
Utah-Tax	55151035-0A	Document Scan Station (DSS) scanner control software for the Fujitsu M4099D scanner (1 License)	1	$10,781	$10,781	$2,156
Utah-Tax	001980-2	50 Character Per Second (CPS) Scan-Optics Neural Auxillary Recognition (SONAR) Engine (1 License)	1	$14,108	$14,108	$2,970
Utah-Tax	502813-5	2D Barcode Engine for PDF - 417 Barcode engine (1 License)	1	$2,850	$2,850	$600
		Scan-Optics Development Software				
Utah-Tax	55941016-0A	VistaCapture Developer System License with 1 Workstation License* (1 License)	1	$9,020	$9,020	$1,899
Utah-Tax	55941076-0A	VistaCapture License Pack 2 Pak* (2 Licenses)	1	$2,850	$2,850	$600
		*Each VistaCapture License must be installed on a PC properly licensed with Win2k/WinXP and SQL2000				
		Total Software Pricing			**$50,390**	
		Annual Support Cost Year 1				**$10,381**
		Annual Support Cost Year 2				**$10,381**
		Annual Support Cost Year 3				**$10,381**

Delivery Information:

Unless otherwise agreed by Scan-Optics, Inc. ("Scan-Optics") in a writing signed by an authorized officer of Scan-Optics, the terms and conditions set forth in these Terms and Conditions for Professional Services shall apply to the purchase of all services by Customer from, or through, Scan-Optics. These Terms and Conditions for Professional Services shall be deemed part of any service order or request, purchase order, sales order, statement of work, project change request or other agreement, which together with Scan-Optics' General Terms and Conditions shall constitute the entire understanding and agreement of the parties (hereinafter, this "Agreement") under which Customer orders or acquires goods, services or software from, or through, Scan-Optics.

1. Statement of Work. Scan-Optics shall perform the services (the "Professional Services") described in the Project Change Request or Statement of Work attached hereto (the "PCR" or "Statement of Work"), and signed by Scan-Optics, which PCR or Statement of Work shall contain, at a minimum, a statement of work, estimated time schedules and resources (the "Project Schedule"), the cost estimate for the Professional Services (the "Professional Services Fee"), any applicable Maintenance Charge, and any other relevant special terms and conditions.

2. License to Customer Confidential Information. Customer hereby grants to Scan-Optics a limited, non-exclusive, royalty-free license to reproduce, prepare derivative works from, distribute, perform, display, modify and otherwise use the Confidential Information of Customer, and any other materials provided by Customer for use in performing the Professional Services hereunder, as necessary to render the Professional Services and provide any custom software applications (the "Custom Applications") to Customer under the PCR or Statement of Work.

3. Customer Premises. Scan-Optics' personnel may perform certain Professional Services at the Customer premises, from time to time, as mutually agreeable to Scan-Optics and Customer. For Professional Services performed on Customer's premises, Customer agrees to provide working space and facilities and any other services and materials Scan-Optics or its personnel may reasonably request in order to perform such Professional Services. In connection with any work and services performed by Scan-Optics' personnel at Customer's site, Customer shall take all necessary precautions to prevent injury to person or property and shall indemnify Scan-Optics against all loss or damages (including damage to property and injury to or death of personnel) which may result from the performance of such work and services.

4. Customer Delays. In the event that performance by Scan-Optics under any PCR or Statement of Work is delayed as a result of any failure of Customer to provide appropriate information, resources, or personnel reasonably necessary for Scan-Optics' performance, appropriate adjustments to the applicable Project Schedule shall be made and any reasonable costs or expenses incurred by Scan-Optics as a result of such delay shall be payable by Customer.

5. License to Custom Applications. Scan-Optics hereby grants to Customer, effective upon payment in full by Customer of the applicable Professional Services Fee, a limited, non-exclusive, non-transferable license (subject to termination in accordance with Section 6.1 of the Agreement) to use the Custom Applications solely in connection with Customer's use and operation of the Standard Software Products licensed to Customer by Scan-Optics, from time to time. All restrictions and limitations applicable to Customer's use of the Standard Software Products licensed to Customer by Scan-Optics shall apply, as if repeated herein, to Customer's use of the Custom Applications licensed to Customer in this Appendix. Scan-Optics hereby reserves for itself all rights in and to the Custom Applications not expressly granted to Customer in the immediately foregoing sentence.

6. Professional Services Fees. Scan-Optics shall invoice Customer for the Professional Services Fees and other charges in accordance with the applicable PCR or Statement of Work, and terms for payment shall be net thirty (30) days from the date of invoice. Unless otherwise agreed in writing, Professional Services are performed by Scan-Optics on a time and materials basis, at Scan-Optics then-current rates. It is understood by the Parties that the estimated charges set forth in any applicable PCR or Statement of Work are based on both parties' best efforts to define the work to be performed by Scan-Optics under such PCR or Statement of Work and if, after Scan-Optics has fully assessed the scope of the work to be performed under such PCR or Statement of Work, the final scope of work differs from the scope of work set forth therein, Scan-Optics will endeavor to advise the Customer no later than when the billable amounts reach ninety (90%) percent of any estimate stated in the PCR or Statement of Work and Scan-Optics will include in such advice an estimate of the charges to complete the requirements of the PCR or Statement of Work. The Customer shall not be obligated to pay Scan-Optics for charges incurred in excess of the original estimate of charges until a Project Change Request increasing such estimate is approved in writing by the Customer. If such an amendment is not approved by the time the billable amount reaches one hundred (100%) percent of the estimated charges, all work associated with the applicable PCR or Statement of Work shall cease, and Customer shall pay Scan-Optics for all work performed thereunder through the date of termination. When and to the extent that the estimate is increased by written authorization, any charges incurred by Scan-Optics in excess of the original estimate prior to execution of the amendment shall be allowable to the same extent as if such charges had been incurred after the execution of the amendment. If work on a PCR or Statement of Work is suspended as set forth above, a restart fee of the higher of either 20% of the estimated charges, or actual cost to restart will be incurred when work on the PCR or Statement of Work is resumed.

7. Changes in Scope of Work. The Customer may from time to time make prospective changes in the services to be provided under a PCR or Statement of Work. In order for such changes to be effective, the Customer must submit them to Scan-Optics in writing and Customer and Scan-Optics' must execute a Project Change Request. If any such change causes an increase or decrease in the estimated charges or causes a schedule change from that originally agreed upon, an equitable adjustment shall be made in the estimate of charges or the schedule, or both.

8. Warranty. Scan-Optics represents and warrants that the Professional Services performed by Scan-Optics will be rendered in a professional and workmanlike manner and that such Professional Services will be performed by persons with the proper skill, training and background.

9. Warranty Limitations. (a) Without limiting the generality of the exclusions and limitations set forth in Scan-Optics' General Terms and Conditions, Scan-Optics' warranties do not include any warranty:

(i) that the operation of the Custom Applications will be error free in all circumstances, nor

(ii) that all defects in the Custom Application(s) that are not material with respect to the functionality thereof as set forth in any agreed-upon specifications will be corrected, nor

(iii) that the operation of the Custom Application(s) will not be interrupted for short periods of time by reason of defect therein or by reason of fault on the part of Scan-Optics.

(b) Further, without limiting the generality of the exclusions set forth in this Section, and except as otherwise provided in this Agreement, Customer shall be exclusively responsible as between the Parties for, AND SCAN-OPTICS MAKES NO WARRANTY OR REPRESENTATION WITH RESPECT TO:

(i) determining whether the Custom Application(s) will achieve the results desired by Customer;

(ii) selecting, procuring, installing, operating, and maintaining computer hardware to run the Custom Application(s);

(iii) training Customer's personnel in computer operations, other than such Scan-Optics-provided training as is expressly set forth in this Agreement;

(iv) ensuring the accuracy of any input data used with the Custom Application(s);

(v) establishing adequate data backup provisions for backing up Customer's data; and

(vi) establishing adequate operational backup provisions (e.g., alternate manual operation plans) in the event of a defect or malfunction that impedes the anticipated operation of the Custom Application(s).

10. Software Maintenance. For a period of three (3) years following the delivery to Customer of any Custom Application, as described in the applicable Project Schedule, Customer may purchase Software Maintenance Services for the Custom Applications, subject to Scan-Optics' then-current standard terms and conditions for Software Maintenance Services. Software Maintenance Services for the Custom Applications is available for the Custom Applications as delivered and maintained by Scan-Optics only. In the event that Customer elects not to take Software Maintenance Service for any period, or allows Software Maintenance Services to lapse for any period, Customer may be required to deliver to Scan-Optics a copy of the source code for the original Custom Applications, as original delivered by Scan-Optics.

Dated as of: _____

In accordance with Appendix C of the Agreement, Scan-Optics, Inc. ("Scan-Optics") and ____ ("Customer") agree to the statement of work, terms and conditions listed below:

See Attachment C to State Of Utah Contract for High-Speed Data Caputer for 2D Bar-Codes (Bid# GM4054) – Statement of Work (SOW #UTAH 2004-001).

Customer Signature _____

Date

Unless otherwise agreed by Scan-Optics, Inc. ("Scan-Optics") in a writing signed by an authorized officer of Scan-Optics, these Terms and Conditions for Hardware and Equipment Maintenance Services shall apply to all hardware and equipment maintenance services supplied by Scan-Optics to any Customer. These Terms and Conditions for Hardware and Equipment Maintenance Services shall be deemed part of any service order or request, purchase order, sales order, statement of work, project change request or other agreement, which together with Scan-Optics' General Terms and Conditions shall constitute the entire understanding and agreement of the parties (hereinafter, this "Agreement") under which Customer orders or acquires hardware or equipment maintenance from, or through, Scan-Optics.

1. Availability of Hardware Maintenance Services. In connection with the Hardware and Equipment to be provided by Scan-Optics to Customer pursuant to this Agreement, Customer may purchase from Scan-Optics Hardware and Equipment Maintenance Services, subject to the terms and conditions set forth in this Appendix. Unless otherwise agreed in writing, Customer shall pay Scan-Optics' then-current Maintenance Charge for Hardware and Equipment, which Maintenance Charge shall be payable monthly, in advance. In the event that Customer elects not to take Hardware and Equipment Maintenance Service for any period, or allows Hardware and Equipment Maintenance Services to lapse for any period, Customer may initiate or reinstate Hardware and Equipment Maintenance Service subject to inspection and remedial adjustments, repairs and parts replacement necessary to restore the covered Hardware and Equipment to good working order, which inspection and refurbishment services will be billable to Customer at Scan-Optics' then-current rates. Scan-Optics shall invoice Customer for the Maintenance Charges, in accordance with this Agreement.

2. Normal Working Condition; Exclusions. Subject to the terms and conditions set forth in this Appendix, Hardware and Equipment Maintenance Services shall consist of preventive and remedial adjustments, repairs and parts replacement necessary to keep the covered Hardware and Equipment in, or restore it to, good working order. Maintenance Services to be provided with respect to Hardware and Equipment shall be limited to maintaining the Hardware and Equipment in normal working condition for the purposes for which it was intended by the manufacturer and expressly excludes: (a) electrical work external to the Hardware and Equipment; (b) changes or alterations made by the Customer in specifications, such as the attachment of foreign devices; (c) changes or alterations made by Scan-Optics at Customer's direction, (d) relocation or reinstallation of the Hardware and Equipment; (e) furnishing supplies (e.g., disk packs and diskettes), accessories, attachments or other devices, including but not limited to removable media and other items subject to damage or deterioration due to removal by the Customer, handling and installation; (f) replacement of parts or repair of damages resulting from accident, neglect or misuse, failure of electrical power, air conditioning or humidity control, fire or other casualty; (g) defects or damage caused by any person other than Scan-Optics' authorized service representative; and (h) parts replacement caused by Hardware and Equipment operation in an environment which does not conform to Scan-Optics' specifications. Hardware and Equipment Maintenance Services do not include customization of any Hardware or Equipment. Any customization of Hardware or Equipment requested by Customer and agreed to be performed by Scan-Optics shall be the subject of a Statement of Work to be executed by the Parties. Services provided to Customer in connection with problems related to, or caused by, sources other than Scan-Optics' software or hardware, or outside the conditions as described in this Appendix, will be billed to Customer at Scan-Optics' then-current standard rates. Only new standard parts or parts of equal quality shall be used by Scan-Optics in providing Hardware and Equipment Maintenance Services.

3. No Maintenance for Modified Hardware and Equipment. Customer shall not cause modifications to be made or accessories, attachments, features or devices to be added to the Hardware and Equipment without Scan-Optics' prior written approval. Customer's personnel shall not perform maintenance or attempt repairs to Hardware and Equipment while such Hardware and Equipment is subject to Maintenance Services. If Customer, with Scan-Optics' approval, causes modifications to be made, or accessories, attachments, features, or devices not covered by this Agreement to be added to Hardware and Equipment being maintained by Scan-Optics, then Maintenance Services will be supplied thereon at an additional charge upon mutual agreement between Customer and Scan-Optics and the Maintenance Services charges specified in this Agreement shall be adjusted accordingly by Scan-Optics.

4. Support Desk Hours. The Scan-Optics Support Desk is staffed from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday, excluding Scan-Optics' holidays ("Standard Support Desk Hours"). Problems reported outside of these hours will automatically be routed to a voice mail system and a member of the support staff will return Customer's call the next business day. Problems submitted by fax must be reported via telephone or email to Scan-Optics in order to retrieve the faxed document for logging.

5. On-Site Service Hours. Standard hours for the provision of on-site Hardware and Equipment Maintenance Services shall be 8:00 a.m. to 4:00 p.m. local time, Monday through Friday, excluding Scan-Optics holidays (the "Standard On-Site Service Hours").

6. Emergency Off-Hour Support Access. In the event of an emergency due to a hardware or equipment failure resulting in lost production during off hours, the answering service will page an on-call support representative. Support of this nature is on a best effort basis, and is billed at one and one-half times the current standard hourly rate. Any call initiated through this process will automatically constitute a billable circumstance.

7. Non-Billable Services included in Maintenance. The following maintenance and support services will be provided by Scan-Optics, free of charge, with respect to Hardware and Equipment for which Maintenance Services currently are in effect:

- Scheduled preventative maintenance or remedial maintenance, due to causes attributable to normal wear and tear, during the Standard On-Site Service Hours on dates and times mutually agreed upon by the parties.
- All adjustments, repairs and parts replacement provided by Scan-Optics during the Standard On-Site Service Hours that are necessary to keep the Hardware and Equipment in, or to restore it to, good working order, when notified by Customer that the Hardware and Equipment is inoperative.

8. Billable Additional Maintenance Services. The following maintenance and support services will constitute a billable item, at Scan-Optics' then-current standard rates, for all Customers even if Maintenance Services are currently in effect with respect to such Hardware and Equipment:

- Provision on a commercially reasonable best efforts basis of remedial maintenance service outside the Standard On-Site Service Hours when notified that the Equipment is inoperative.
- Maintenance performed outside the Standard On-Site Service Hours at the request of Customer;
- Maintenance started during the Standard On-Site Service Hours and continued beyond such period, but only to the extent that it exceeds the end of the Standard On-Site Service Hours, or;
- Labor, parts, and travel and other expenses incurred by Scan-Optics for services performed by Scan-Optics with respect to the Hardware and Equipment due to (a) attempts by Customer to repair or maintain the Hardware and Equipment; (b) causes not attributable to normal wear and tear; (c) the fault or negligence of Customer; (d) improper use or misuse of the Hardware and Equipment by Customer; and/or (e) causes external to the Hardware and Equipment or reasonably within Customer's control. Charges for all labor and parts shall be at Scan-Optics' then-current rates in effect at the time that the labor and parts are furnished.

Charges for labor shall be computed to the nearest one-half (½) hour with a minimum charge per call based upon a two (2) hour period.

9. Term; Maintenance Charges; Terms of Payment. The initial term for Equipment Maintenance Services shall be three (3) years commencing on the later of (i) the expiration of any applicable Equipment Warranty Period and (ii) the date of any service order or request, purchase order, sales order, statement of work, project change request or other agreement pursuant to which Scan-Optics agrees to provide the applicable Equipment Maintenance Services. Thereafter, Equipment Maintenance Services with respect to the covered Hardware and Equipment shall automatically renew for successive one (1) year terms, unless terminated by either party upon at least sixty (60) days advanced written notice. Unless otherwise agreed in writing, the charges for Equipment Maintenance Services (the "Annual Maintenance Charge") for each year shall be Scan-Optics' rate then in effect for such year, which Annual Maintenance Charge shall be payable monthly, in advance, within thirty (30) days of the date of invoice, and shall be non-refundable. Scan-Optics shall invoice Customer for the Annual Maintenance Charge not earlier than forty-five (45) days prior to each annual renewal or anniversary date. Unless otherwise agreed in writing, prior to the commencement of any annual renewal or anniversary date, the Annual Maintenance Charge may be increased on an annual basis by giving the Customer at least ninety (90) days advanced written notice of said increase, provided that such increase may not exceed seven percent (7%) per annum.

Unless otherwise agreed by Scan-Optics, Inc. ("Scan-Optics") in a writing signed by an authorized officer of Scan-Optics, these Terms and Conditions for Software Maintenance Services shall apply to all software maintenance services supplied by Scan-Optics to Customer. These Terms and Conditions for Software Maintenance Services shall be deemed part of any service order or request, purchase order, sales order, statement of work, project change request or other agreement, which together with Scan-Optics' General Terms and Conditions shall constitute the entire understanding and agreement of the parties (hereinafter, this "Agreement") under which Customer orders or acquires software maintenance from, or through, Scan-Optics.

1. Availability of Software Maintenance Services. In connection with the Software Products to be provided by Scan-Optics to Customer pursuant to this Agreement, Customer may purchase from Scan-Optics Software Maintenance Services as described in, and subject to the terms and conditions set forth in, this Appendix and Scan-Optics Software Maintenance Policies and Procedures. Unless otherwise agreed in writing, Customer shall pay Scan-Optics' then-current Maintenance Charge for each covered Software Product, which Maintenance Charge shall be payable annually, in advance. In the event that Customer elects not to take Software Maintenance Service for any period, or allows Software Maintenance Services to lapse for any period, Customer may initiate or reinstate Software Maintenance Service subject to payment by Customer of the then-current Maintenance Charge for each covered Software Product, plus the applicable Maintenance Charge for such Software Product for the period commencing on the date Customer elected not to take, or terminated, Maintenance Services through the date on which Maintenance Services are initiated or reinstated. Scan-Optics shall invoice Customer for the Maintenance Charges, in accordance with this Agreement.

2. Exclusions. Unless otherwise agreed in writing, Software Maintenance Services are not applicable to any Software Product (a) which has been modified by Customer, (b) which has been modified by Scan-Optics at Customer's request (except with respect to Custom Applications), (c) which is other than the current or immediately preceding release, or (d) which Customer uses in any manner not described in the applicable documentation provided by Scan-Optics. Software Maintenance Services do not include customization of any Software Product. Any customization of a Software Product requested by Customer and agreed to be performed by Scan-Optics shall be the subject of a Statement of Work to be executed by the Parties. Services provided to Customer in connection with problems related to, or caused by, sources other than Scan-Optics' software or hardware, or outside the conditions as described in this Appendix, will be billed to Customer on a time and materials basis at Scan-Optics' then-current standard rates.

3. Term; Maintenance Charges; Terms of Payment. The initial term for Software Maintenance Services shall be three (3) years commencing on the later of (i) with respect to the Standard Software Products, the expiration of any applicable Software Warranty Period, and with respect to Custom Applications, the date of delivery of such Custom Application to Customer, as described in the applicable Project Schedule and (ii) the date of any service order or request, purchase order, sales order, statement of work, project change request or other agreement pursuant to which Scan-Optics agrees to provide the applicable Software Maintenance Services. Thereafter, Software Maintenance Services with respect to the covered software shall automatically renew for successive one (1) year terms, unless terminated by either party upon at least sixty (60) days advanced written notice. Unless otherwise agreed in writing, the charges for Software Maintenance Services (the "Annual Maintenance Charge") for each year shall be Scan-Optics' rate then in effect for such year, which Annual Maintenance Charge shall be payable annually, in advance, within thirty (30) days of the date of invoice, and shall be non-refundable. Scan-Optics shall invoice Customer for the Annual Maintenance Charge not earlier than forty-five days prior to the each annual renewal or anniversary date. Unless otherwise agreed in writing, prior to the commencement of any annual renewal or anniversary date, the Annual Maintenance Charge may be increased on an annual basis by giving the Customer at least ninety (90) days advanced notice of said increase at least, provided that such increase may not exceed seven percent (7%) per annum.

4. Software Problem/Inquiry Reporting. All software problems and inquires must be reported by Customer via telephone, fax or e-mail, to the Scan-Optics Support Desk. Problem reporting by any other means may cause a delay in response time to Customer, and will result in a charge to Customer, at Scan-Optics' then-current standard hourly rate, for any Scan-Optics support services provided to Customer.

5. Support Desk Access. The Scan-Optics Support Desk is staffed from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday, excluding Scan-Optics' holidays ("Normal Support Hours"). Problems reported outside of these hours will automatically be routed to a voice mail system and a member of the support staff will return Customer's call the next business day. Problems submitted by fax must be reported via telephone or email to Scan-Optics in order to retrieve the faxed document for logging.

6. Emergency Off-Hour Support Access. In the event of an emergency due to a software failure resulting in lost production during off hours, the answering service will page an on-call support representative. Support of this nature is on a best effort basis, and is billed at one and one-half times Scan-Optics' then-current standard hourly rate. Any call initiated through this process will automatically constitute a billable circumstance.

7. Problem Resolution Procedures. Scan-Optics shall accept Customer requests and resolve Customer problems in accordance with the Scan-Optics Software Maintenance Policy and Procedures.

8. Engineering Change Request (ECR). If Customer's maintenance request is determined not to be a problem with a Standard Software Products, but rather a request for a software enhancement, the Customer may then ask that the Standard Software Product in question be modified to support Customer's requirements. The cost of such service is dependent on the modification requested and shall be the subject of a Statement of Work to be executed by the Parties. Quotes for such services may be obtained from the Director of Software Support. Scan-Optics maintains exclusive rights to any enhancements made to its proprietary software.

9. Primary Customer Contact. Customer shall designate a single Primary Customer Contact (PCC) to serve as a liaison between Scan-Optics' Software Support Department and Customer. While operational personnel may perform problem reporting, the PCC is responsible to address issues that require attention outside of standard problem reporting. Scan-Optics assumes no responsibility for Customer personnel incurring billable charges. It is the Customer's responsibility to inform its employees of any internal escalation procedures. Scan-Optics will respond to all calls, billable or non-billable, as described in this Appendix and Scan-Optics' Software Maintenance Policy and Procedures. Customer may change its PCC from time to time upon thirty (30) days notice to Scan-Optics.

PCC shall be the only representative of Customer:

- who may submit purchase orders to Scan-Optics;
- to whom Scan-Optics will send software releases/alert notifications; and
- to whom Scan-Optics will make deliveries of media from Software Support.

10. Scan-Optics Library Services. New systems, as supplied and shipped by Scan-Optics, include one copy of all current associated media and documentation that support the Customer's configuration. All cartridge tapes, diskettes, CDs, manuals, software bulletins, and/or software alerts should be stored and protected by the Customer. Any re-order of a Standard Software Product or a Custom Application, or duplicate copies of any upgrade media, will incur media related charges in addition to standard shipping and handling charges.

11. Descriptions of Services for Standard Software Product Maintenance and Custom Applications Maintenance

A. Standard Software Product Maintenance

(i). Non-Billable Services. The following maintenance and support services will be provided by Scan-Optics free of charge to each Customer that is currently paying for Software Maintenance Services with respect to the Standard Software Product at issue:

- Access to Scan-Optics' Support Desk for Program Error reporting and tracking
- Problem/Inquiry reporting via telephone, fax or e-mail by Customer to the Scan-Optics Support Desk
- Informational bulletins regarding and access to Standard Software Product Releases
- Telephone support on installation procedures for Scan-Optics related software
- Software Releases/Upgrades providing program corrections for the Standard Software Product
- Telephone support for Standard Software Product Releases
- Software Technical Bulletins
- Privileged access to the Inner Circle of the Scan-Optics Home Page (currently www.scanoptics.com/inner_circle)

(ii). Billable Maintenance Services. The following maintenance and support services will constitute a billable item, at Scan-Optics' then-current

hourly rates, for all Standard Software Products even if Software Maintenance Services are currently in effect with respect to such Standard Software Product:

- Support initiated outside of standard problem reporting procedures as described in this Appendix and the Scan-Optics' Software Maintenance Policies and Procedures (Note: The "standard problem reporting procedures" require that Customer personnel initiate primary contact with the support desk, via telephone, fax or e-mail. All primary requests not made directly by the Customer to the Support Desk will result in a delay of tracking registration, analyst assignment, and will be billable.)
- Enhancements to Standard Software Products (i.e. Engineering Change Request (ECR) as defined below)
- Assistance to reconstruct any Scan-Optics installed Standard Software Product (Standard Software Products that must be re-supplied to the Customer incur both media and shipping and handling fees.)
- Emergency support outside of the standard Normal Support Hours
- All disaster backup/recovery consultation and support
- Software Releases/Upgrades, other than those providing bug fixes to the Standard Software Product

B. Custom Applications Maintenance Services

(i). Standard Maintenance Required for Custom Application Maintenance. Software Maintenance Services with respect to any Custom Application require the purchase of Software Maintenance Services for the Standard Software Product on which the Custom Application relies.

(ii). Non-Billable Maintenance Services. The following maintenance and support services will be provided by Scan-Optics free of charge to each Customer that is currently paying for Software Maintenance Services with respect to the Custom Application at issue:

- Scan-Optics Support Desk access for problem registration to a tracking number
- Problem/Inquiry reporting via telephone, fax or e-mail by Customer to the Scan Optics Support Desk
- Informational bulletins regarding new standard software releases
- Telephone support on installation procedures for Scan-Optics related software
- Telephone support for Custom Application bugs based on original written specifications (Note: This support does not apply to any modifications made by Customer.)
- Support for any required modifications to Custom Applications, if written by Scan-Optics, needed to support any Standard Software Product upgrade
- Bug in Custom Applications, as originally written to specifications by Scan-Optics, on expiration of applicable warranty period

(iv). Billable Software Maintenance Services. The following maintenance and support services will constitute a billable item, at Scan-Optics' then-current rates, for all Custom Applications even if Maintenance Services are currently in effect with respect to such Custom Application:

- Support initiated outside of standard problem reporting procedures (Note: The "standard problem reporting procedures" require that Customer personnel initiate primary contact with the support desk, via telephone, fax or e-mail. All primary requests not made directly by the Customer to the support desk will result in a delay of tracking registration, analyst assignment, and will be billable.)
- Telephone support for Custom Application bugs caused by Customer modifications
- Telephone support for current Custom Application redesign/redevelopment
- Telephone support for new application design/development
- All disaster backup/recovery consultation and support. (Custom Applications that must be re-supplied to the Customer incur both media and shipping and handling fees.)
- Request for Scan-Optics to generate Custom Application edit changes, enhancements and/or additional features not described in original specification for such Custom Application
- Problems related to, or caused by, sources other than Scan-Optics software/hardware
- Support for any required modifications to Custom Applications, if written by anyone other than Scan-Optics, needed to support any Standard Software product upgrade

(v). Custom Application Re-Order Fees

Custom Application backup media, while the Customer's responsibility, may be re-supplied by Scan-Optics if a copy is either in our tape library, or on one of our in-house systems. Custom Applications are sometimes stored in our library if a Customer had sent in media for problem determination or, when a Scan-Optics analyst takes a copy from an installation for backup or debugging purposes. Scan-Optics assumes no responsibility for discrepancies in media content or program versions that may be located at our facilities. Scan-Optics does not maintain, nor will Scan-Optics be responsible for, Custom Application backup.

Charges for Custom Application copies are at Scan-Optics' then-current rates for media, and standard shipping and handling charges, with additional fees charged to locate, retrieve, generate, or copy Custom Applications, which will be billed at Scan-Optics' then-current hourly rates, 4-hour minimum.

Scan-Optics Software Maintenance

Policy and Procedures

Introduction

Scan-Optics Software Maintenance Service offering is intended to provide a superior level of product support service (under maintenance contract or warranty) for Standard Software Products. Scan-Optics goal is to establish and maintain effective communication between Customer and Scan-Optics regarding the Standard Software Products installed at authorized locations. Scan-Optics desires to address the software support issues in a responsive, efficient and cost-effective manner and to establish an organized method to communicate with Customer Customer's support requirements for the Standard Software Products.

This document describes Scan-Optics' Standard Software Product releases, Scan-Optics' policy regarding Standard Software Product maintenance and the details of Scan-Optics Software support services, which policies are subject to change, from time to time, upon sixty (60) days prior written notice to Customers.

Standard Software Product Releases

Scan-Optics issues Standard Software Product Releases from time to time in its discretion to provide its customers with one or more of following:

1. Consolidation of corrections made since the last Standard Software Products release for the particular product per the policy outlined in Section 3 below
2. Qualification of new third party products, which by way of example may include new releases of communication gateways, network operating systems, SQL servers, operating systems, and other products selected by Scan-Optics in its discretion.
3. New Software products (as defined)
4. New features or options in existing Software products (as defined)
5. Updated documentation

Policy Related to Standard Software Product Maintenance (available during applicable Warranty Period and pursuant to an Annual Maintenance Contract)

The following outlines the policy used in administering the maintenance of Scan-Optics Standard Software Products.

Problem determination

Customer is expected to perform the "Level 1" and "Level 2" analysis and support functions and to communicate problems in the code of the Standard Software Products to Scan-Optics via Software Problem Report (SPR) Process.

- "Level 1" means the initial contact with an end user to eleminate obvious operator or configuration errors.
- "Level 2" means making a preliminary determination that the problem is in the Scan-Optics Product code.

Types of Requests

All support requests associated with the Standard Software Products are grouped in the following categories:

1. Corrections to the Standard Software Products
2. Corrections to the Standard Software Product documentation
3. New Feature Requests
4. Custom Development Requests
5. Custom Qualification Requests

Corrections to the Standard Software Products

All requests for corrections to the Standard Software Products are classified in three categories as outlined below:

Class A

Customer may make a Class A correction request when the Standard Software Product is inoperable and no workaround is available. Class A requests are addressed by Scan-Optics providing an interim release (fix) as soon as practical (target is 24 hours). All class A corrections will be consolidated with the next Standard Software Product release.

Class B

Customer may make a Class B correction request when some part of the Standard Software Product is inoperable or not functioning as intended but a near term is workaround available (patch release target is 72 hours). Class B corrections will be addressed in a subsequent Standard Software Product release (Scan-Optics target is for inclusion in one of the next two releases.)

Class C

All other requests from Customer are classified as Class C and may be addressed by Scan-Optics in its discretion in one or more subsequent Standard Software Product releases.

Corrections to the Standard Product Documentation

Corrections to the Standard Product documentation will be included in the next update of the documentation.

New Feature Requests

Subject to a mutually satisfactory business arrangement between Customer and Scan-Optics, Scan-Optics may provide technical services to implement New Feature Requests (NFRs). New Feature Requests may be subject to an additional Annual Maintenance Charge.

Custom Qualification Requests

Subject to a mutually satisfactory business arrangement between Customer and Scan-Optics, Scan-Optics may provide technical services to qualify unique third party products that are not included in the Standard Software Product releases.

Interim Releases

Interim releases are made available to address Class A corrections. These are distributed on an "as needed" basis. Support for the interim releases is available as a part of the Standard Software Product maintenance until the next Standard Software Product release, which includes the corrections, is available. At that point in time, Scan-Optics will provide support for the then latest release of the product.

Supported Releases

Scan-Optics provides support for the current release of the Standard Software Product.

Policy Related to Maintenance of old releases

After a new version is released, Customers must upgrade to the new release as soon as possible. Once a new release of a Standard Software Product is available, Scan-Optics will continue to support only Class A problems regarding the immediately preceding release and no other problems or releases, except for problems in the current release.. For the avoidance of doubt, new features or corrections to class B or C problems will be made only in with respect to the current release and there will be no support available for releases older than the most recent previous release.

Policy Related to Test and Backup Systems

Test and Backup Systems are defined into three categories: (1) A Hot Site, (2) A Lights Out Site, and (3) A Test System. These are defined in further details in the tables below. If Scan-Optics assistance is required for the installation of any of these systems, they will be invoiced at Scan-Optics then-current rates on a time and materials basis.

Scan-Optics Software Service (SPR)

Scan-Optics Software Maintenance Service is available related to all Scan-Optics Standard Software Products. In order for Scan-Optics to provide support services, all formalities related to the licensing of Scan-Optics Standard Software Products need to be complete.

Once the formalities related to the initial licensing arrangements are complete, Scan-Optics will provide Customer with the following:

1. An identification number (for as many customer support personnel as required)

2. Scan-Optics Software Reporting Documentation

3. Points of Technical Contact

Points of Contact

As a part of the Scan-Optics Software Service, Scan-Optics will provide Customer a technical contact. The technical contact can be assigned in the following ways:

1. On a return contact from the electronic registration of the problem through the Software Problem Reporting & Tracking System,
2. On a return contact from an e-mail registration of a problem (software_support@scanoptics.com),
3. Assigned when initial problem registration is done through the 800 number (800-543-8681).

Scan-Optics Software Maintenance Charges

The Annual Maintenance Charges for Scan-Optics Software Maintenance Services are set forth in a written agreement between Scan-Optics and Customer. To the extent not set forth in writing, the Annual Maintenance Charge for each Standard Software Product shall be equal to 20% of the then-current applicable Initial License Charge for such Standard Software Product. Additional technical services, other than those related to the corrections to the standard products, are chargeable at Scan-Optics then-current rates for such services.

Other Services

In addition to Software Maintenance Services, Scan-Optics provides a comprehensive range of other technical services as outlined below:

1. Installation
2. Training
3. Customization
4. Project Management
5. Network Planning/Administration
6. Production Platform Support/Administration
7. Work Preparation
8. Database Administration
9. Design
10. Quality Assurance

These services are chargeable at Scan-Optics then current rates for such services. Scan-Optics' representative can provide additional information related to these services.

APPENDIX F

CUSTOMER REPRESENTATIVES

Please designate a Customer Technical Representative and Contract Representative for your installation by responding in the spaces provided below:

	Technical Representative	Contract Representative
Scan-Optics:	Name: ____ Phone No.: ____	Name: ____ Phone No.: ____
Customer:	Name: ____ Phone No.: ____	Name: ____ Phone No.: ____

Please designate a Primary Customer Contact and optionally, an alternate contact, for your installation by responding in the spaces provided below:

Primary Contact Name : _____PCC Phone #: ____
Ext.: _____

Alternate Contact Name : _____

Account Name : _____

Contact Address 1 : _____

Contact Address 2 : _____

Contact City/State/Zip : _____

Internet Address : _____ Fax #:

Customer may amend this Appendix F at any time by mailing or faxing a copy of this document to Scan-Optics, for inclusion in our SPR database, to the following address or fax #:

Director, Support Services
Scan-Optics, Inc.
169 Progress Drive
Manchester, CT 06040

Fax #: 860-647-0433

ATTACHMENT C

II. Memorandum of Understanding for Travel Expenses

MEMORANDUM OF UNDERSTANDING
FOR TRAVEL EXPENSES

The State of Utah, Utah State Tax Commission, referred to as "Agency", is entering into an agreement with _____ (CONTRACTOR) for services where travel expenses will be billed as additional costs.

The travel expenses will have the following guidelines to follow:

1) Airline Travel will be booked through the Agency Travel Coordinator (801) 297-3861. The costs for the airline travel will be billed directly to the Agency from the airline. Agency discount rates will apply to these charges. (Note: The Division Director whose division is responsible for payment needs to send a memo to the Agency Travel Coordinator listing the person(s) traveling and the travel dates.)

2) Hotels may be booked through the Agency Travel Coordinator or directly with the local hotel. Hotel costs are limited to state discount rates (currently $68/day). These rates may be higher depending on availability of rooms. Prior approval of a higher rate must be obtained by the CONTRACTOR from the Agency Contracts & Purchasing Section and is subject to the additional review of the Agency Travel Coordinator.

3) Car Rentals may be booked through the Agency Travel Coordinator or directly with the car rental agency. Rates are limited to state discount rates (currently $38/day) available through Alamo and National Car Rental Agencies.

4) Travel Time will not be billable hours.

5) Per Diem for meals on overnight travel will be paid at state per diem rates. The current rate is $30/day. (Per diem is allowed as follows: Breakfast $6, Lunch $9, Dinner $15.)

6) Other reasonable expenses (for taxi's, etc.) will be covered. Provide receipts for these expenses.

7) All costs (except the airline travel, which is paid directly by the Agency) and per diem, will be invoiced to the Agency and copies of receipts and documentation needs to be attached.

If the Contractor books directly with the hotel and car rental agency, then the individual will need to ask for the State of Utah rates and indicate that they will be traveling to provide services for the State. They may need to show verification, such as a signed letter from the Agency.

The Agency will not pay any costs above these amounts unless prior written approval is received from the Agency Travel Coordinator and/or the Agency Purchasing Agent assigned to the division charged with financial responsibility. This Agreement supersedes and previous oral or written contracts or agreements concerning the matters contained herein.

A signed fax will be accepted as approval.

CONTRACTOR	**UTAH STATE TAX COMMISSION**
_____	_____
Signature	Signature
_____	_____
Name and Title of Signer (Type or Print)	Name and Title of Signer (Type or Print)

ATTACHMENT C

III. Initial Statement of Work ("SOW #UTAH 2004-001")

Dated as of: July __, 2004

SOW #:UTAH 2004-001
"Planning and Process Design"

In accordance with Appendix C of the Agreement, Scan-Optics, Inc. ("Scan-Optics") and Utah State Tax Commission ("Customer") agree to the statement of work, terms and conditions listed below:

Statement of Work: Professional Services

Scan-Optics will assist Customer in preparing a final business case (the "Business Case") that allows Customer to justify its investment in the solution described in Scan-Optics response to Bid #GM4054. Upon acceptance by Customer's Executive Director and Commissioners of the Business Case, Scan Optics will then work with Customer to prepare a detailed design and corresponding additional Statement of Work (SOW #UTAH 2004-002), including work plan, test plan and acceptance test criteria, for the implementation and testing of the system and processes described in the Business Case. In accordance with Appendix C and upon execution by Customer, SOW # UTAH 2004-002 will become an addition to Appendix C-1 of this Agreement. In addition, based on the requirements set forth in the detailed design and corresponding Statement of Work, the parties will work together to make any appropriate modification to Appendices A-1 and B-1 of this Agreement and prepare for execution an appropriate order for the delivery of Equipment, Hardware and Software.

Project Schedule

The estimated level of effort is 40 hours,including one on-site visit. Work is expected to commence within thirty days after the execution of this Statement of Work and is expected to be completed not later ninety days after the execution of this Statement of Work. Notwithstanding the provisions of Section 6 to Appendix C, Scan-Optics shall not be required to submit a PCR to this Statement of Work until its actual level of effort exceeds 80 hours.

Professional Services Fee; Schedule for Payment

Professional Services under this Statement of Work are performed by Scan-Optics on a time and materials basis, at an hourly rate of $233.00. Customer shall be responsible for all out-of-pocket costs and expenses reasonably incurred by Scan-Optics in the performance of services under this Agreement, including, without limitation, all meals, travel, and lodging costs incurred by Scan-Optics personnel, subject to the agreed upon Memorandum of Understanding for Travel Expenses.

Scan-Optics shall invoice Customer bi-monthly (every two weeks), in arrears, for an amount equal to 100% of the Professional Services Fees and other charges incurred in accordance with this Statement of Work, and terms for payment shall be net thirty (30) days from the date of invoice.

Other Relevant Terms and Conditions

Customer Signature _____

Date

AMENDMENT NUMBER 1 to CONTRACT NUMBER 056040

To be attached to and made a part of the above numbered contract by and between the State of Utah, Utah State Tax Commission, referred to as Commission and Scan-Optics, Inc. referred to as Contractor.

THE PARTIES AGREE TO AMEND THE CONTRACT AS FOLLOWS:

1. The contract period is amended:

   - From: N/A
   - To : N/A

2. The dollar amount of change to the contract for this amendment is: N/A

3. The total contract amount is now changed:

   - From: N/A
   - To : N/A

4. Other changes to the contract include:

   a) The contract is amended to increase the scope of work to add SOW#2004-002, Statement of Work #2 (as attached)

   b) The contract is amended: a) to replace Appendix A-1: Hardware and Equipment Sales. b) to replace Appendix B-1: Standard Software Products License Order. (as attached)

5. Effective Date of Amendment: August 30, 2004

All other conditions and terms in the original contract remain the same.

IN WITNESS WHEREOF, the parties sign and cause this Amendment to be executed.

Contractor Signature Date	Division Director Date
Contractor Name (Please Print)	Budget Officer Date
Title	Purchasing Agent Date
	Rodney G. Marrelli, Executive Director Date
	Director, Division of Purchasing Date

Dated: August 25, 2004

Scan-Optics Hardware

PDC	Software Components	QTY	Unit Price	Extended Price	Annual Support Total
	Open-Track Primary Scanner Model:				
005000-Duplex, 55501016-0A, 55501036-0A	SO-Series Image Only Duplex Scanner with; 1,000 sheet continuous Automatic Document Feeder with Field Switchable Center/Edge Feeder, Acoustic & Over-length Doubles Detect; Open Vacuum-belt Transport with Hand-drop Zone; Post-Camera Inkjet Printer with Patchcode Incrementing; 320 dpi 24-bit color cameras with 4096 pixel elements & 12.8" Field-of-View; Image enhancements including de-skew, cropping, brightness, contrast, edge detection, slant correction, sharpening filter & pixel correction; 20 AMP, 110 VAC, 60 Hz power supply; MS61 & TWAIN Drivers. The Purchase Price includes a 90-day warranty, therefore, the year-1 support cost is for 9-months to round out the first year. This is the case for the optional 2-pocket stacker, patchcode reader and MICR readers listed below. Support cost includes guaranteed 4-hour response time.	1	$63,990	$63,990	$7,425
	Open-Track Scanner Options:				
005043-1	2 Pocket First-In-First-Out Money-wheel Stackers with run-out bin. One money-wheel stacker for checks, one money-wheel stacker for returns and other documents and one run-out bin to clear the transport from when there is an interuption in the scan-session.	1	$47,500	$47,500	$4,950
005018-1	Pre-Camera Patch Code Reader	1	$1,425	$1,425	$153
005017-1	Pre-Camera MICR Reader	1	$4,750	$4,750	$495
	Sub-Total Primary Scanner Pricing			**$117,665**	
	Primary Scanner Maintenance & Support Year 1				**$13,023**
	Primary Scanner Maintenance & Support Year 2				**$15,780**
	Primary Scanner Maintenance & Support Year 3				**$15,780**

Delivery Information:

90 days after receipt of order

Customer Signature _____

Date

Dated: August 25, 2004

Scan-Optics Software

Install Location	PDC	Software Components	QTY	Unit Price	Extended Price	Annual Support Total
		Stand-Alone Single Station Attended Applications				
Utah-Tax	55151035-0ASOD	Document Scan Station (DSS) scanner control software for the SO-Series Duplex Color Scanner with programmable ICN controls and red/blue/green software color dropout.	1	$10,781	$10,781	$2,156
Utah-Tax	55777076-0A	SO-Stamp Electronic ICN	1	$594	$594	$125
		Stand-Alone Single Station Unattended Applications				
Utah-Tax	001980-3	100 Character Per Second (CPS) Scan-Optics Neural Auxillary Recognition (SONAR) Engine	1	$21,518	$21,518	$4,530
Utah-Tax	502813-5	2D Barcode Engine for PDF - 417 Barcode engine	1	$2,850	$2,850	$600
		Concurrent User WAN-Based Applications				
Utah-Tax	55941016-0A	VistaCapture Developer System License with 1 Workstation License*	1	$9,020	$9,020	$1,899
Utah-Tax	55941076-0A	VistaCapture License Pack 2 Pak*	1	$2,850	$2,850	$600
		*Each VistaCapture License must be installed on a PC properly licensed with Win2k/WinXP and SQL2000				
		Total Software Pricing			**$47,613**	
		Annual Support Cost Year 1				**$9,910**
		Annual Support Cost Year 2				**$9,910**
		Annual Support Cost Year 3				**$9,910**

Delivery Information:

To be delivered at time of hardware installation, or earlier if required in conjunction with the delivery of professional services.

Customer Signature _____

Date

Dated as of: August 30, 2004
SOW #: UTAH 2004-002

In accordance with Appendix C of the Agreement, Scan-Optics, Inc. ("Scan-Optics") and Utah State Tax Commission ("Customer") agree to the statement of work, terms and conditions listed below:

1. PROJECT SCOPE

1.1 Business Objectives

The purpose of Section 1.0 is to define the scope of the solution to be integrated by Scan-Optics. A Workflow Diagram is included to provide a high level functional understanding of how transactions will be processed by the new system. A list of Deliverables and a list of Key Assumptions further define the scope of this SOW.

The Proposed System Overview that follows represents Scan Optics high-level understanding of the business requirements. These requirements and the specific solution which best meets these needs will be further defined by the Detailed Design Specification. Any changes as a result of this process will be administered via the Project Change Order process.

1.2 System Overview

Scan-Optics is proposing its TAXexpress solution to meet the Customer's requirements as outlined in ITB GM4054, including addenda 1-3 and the June 1, 2004 revised instructions. TAXexpress addresses the objectives of the Customer while providing a platform for accommodating future growth and the extension into automated check processing, additional tax forms and document processing as described in Section 1.1.6 of the ITB.

The Scan-Optics TAXexpress solution is composed of:

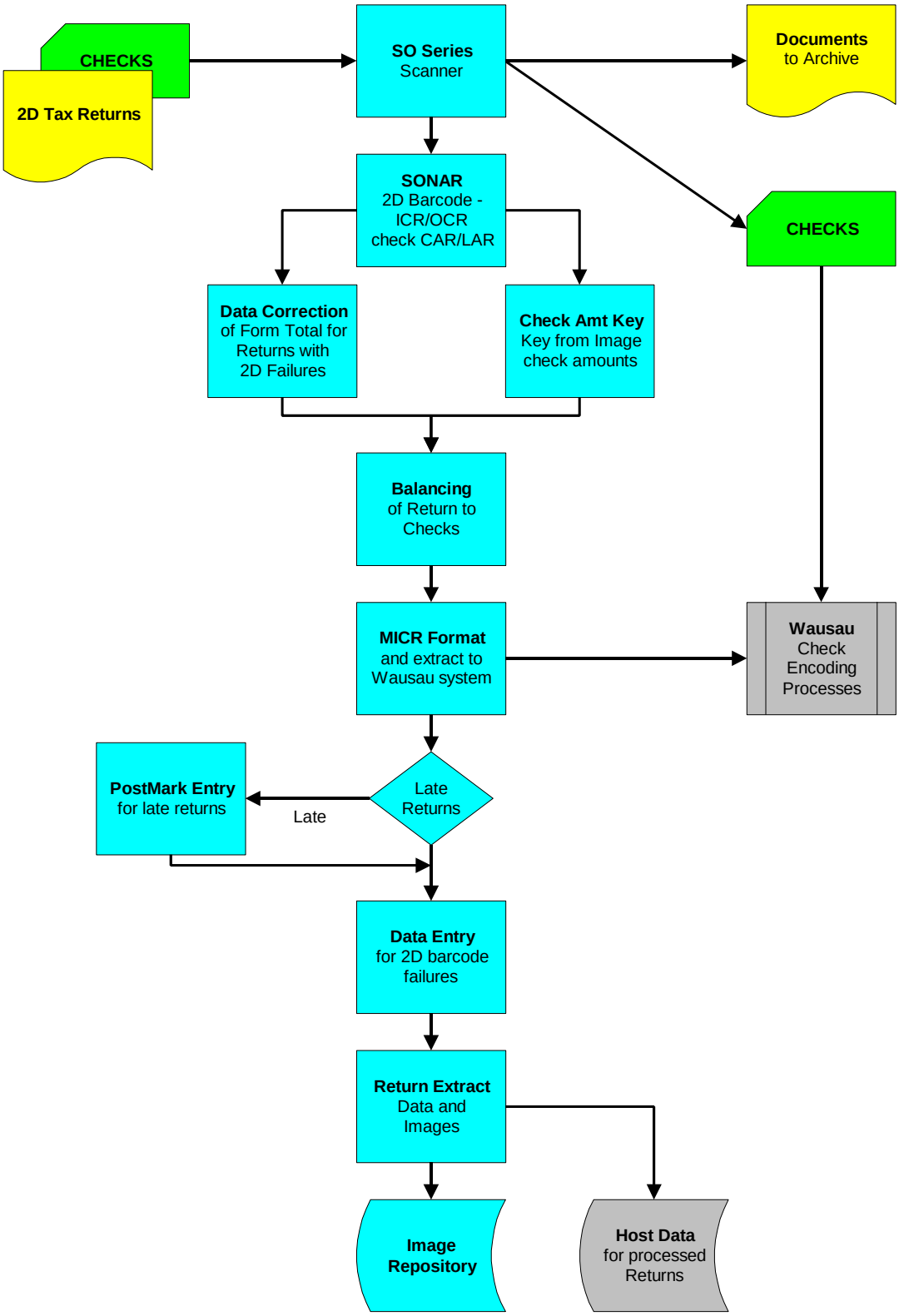
- One Scan-Optics SO-Series Color Imaging scanner to perform image of full-page documents, checks, and attachments
- Scan Optics Neural Auxiliary Recognition (SONAR) engine with 2D Barcode reading capability and OCR/ICR read of returns that fail 2D Barcode.
- SONAR CAR/LAR processing check courtesy amounts with legal amount assist.
- VistaCapture key-from-image data entry of imaged checks
- Format and export of check MICR and amounts to the Wausau system for power encoding.
- VistaCapture exception processing solution for repair and data entry of failed 2D Barcode returns
- Transaction Repair process to split merged transactions
- Export of data to Host systems
- Creation of an image repository for all 2D tax return documents

Scan-Optics has developed a solution that is designed to work within existing procedures utilized by the Customer, while providing the benefits of process automation.

We are committed to delivering a quality system that addresses the goals and concerns of the Customer. Our project implementation methodology meets all of the requirements of the ITB and addenda 1-3.

One of the major goals of Scan-Optics is to provide a smooth and predictable transition from the existing processes and procedures to the proposed solution. Scan-Optics accomplishes this via a sound solution that addresses the concerns of the Customer along with the project methodology to insure that a quality product is delivered at each step from detail design through to post installation support.

1.3 Proposed Workflow



1.4 Proposed System Overview

1.4.1 Document Preparation before Scanning

As is done today, the 2D bar-code returns are separated between No-money, Single, Multiple and Late returns and placed into bins for scanning. It will not be necessary to write or rocker the check amount on the returns as is currently done.

As with any scanning or microfilming process, adequate document processing is required. Document prep includes; the removal of staples and paper clips; document unfolding and page oriented for processing though the Scan-Optics SO-Series scanner.

To facilitate the workflow, specific document order is required. For example the first page of the tax return must be the first page of each transaction; the checks must be oriented so that the magnetic MICR ink on the checks can be read properly and when late tax returns are processed, the envelope (unfolded) should be the last document of the transaction.

Although document order is important as described above, it will no longer be necessary to count documents for batching. The SO-Series scanner will count the transactions and automatically increment the batch number at a pre-set number of forms – according to the Customer's preference.

The following are the specific document order requirements for the workflow:

No Money, Refunds, Zero's:

Returns should be organized with page 1 and 2 of the return first, followed by schedules, W2's and envelope (if late). The patch code on page 1 is used as a transaction separator.

Singles with checks:

Returns should be organized with page 1 and 2 of the return first, followed by schedules, W2's, check and envelopes (if late). The patch code on page 1 is used as a transaction separator. A single return with multiple checks can be included with this batch type.

Multiples with checks:

Returns should be organized with a transaction separator first, followed by page 1 and 2 of the return, schedules, W2's, check(s) and envelope (if late). A patch code on the transaction separator used to provide a positive means to identify the boundaries of each multiple return.

Late Returns:

Late Returns will be batched separately. A separate application will be run for these documents indicating that an envelope accompanies the transaction and is the last image. The detail design will specify the exact processing steps required to process those returns that are timely, borderline and clearly late. This may apply to money and no-money returns.

1.4.2 Scanning with the SO-Series Color Image Scanner

Scanning and image capture will be performed using the SO-Series scanner. The scanner will image, serialize using patch code recognition and automatically increment batch numbers. The scanner and control software will recognize documents and checks while being transported and out-sort the checks to a separate pocket.

The scanner will automatically assign and increment batch numbers to the group of documents and a unique Internal Control Number (ICN) to each document within the batch.

At the start of a scanner job, the operator will select the type of returns being scanned; such as singles, multiples, no money, or 'late' along with the starting batch number.

After jogging the documents, the operator places batches into the automatic feeder of the scanner and the operator selects the scanning job via a menu on the system. As the documents are imaged they are displayed

to the operator for quality assurance purposes. Assigned ICN numbers are imprinted on each page either prior to the camera or after – depending upon the Customer's preference. The ICN is also electronically recorded in each image TIFF tag for permanent storage. The documents are stacked into one pocket and the checks are stacked into the other pocket. The money-wheel places each document face down in the order that the documents were processed – except that the checks have been out-sorted for remittance processing.

Checks have their MICR information recognized while passing through the scanner. This provides for the identification of a check for sorting purposes.

The transactions are counted and when the threshold is reached the batch number is incremented to start a new batch.

When the transport stops during the operation of the scanner, the operator is presented with the last good image processed and the reason for the stoppage. The operator has the option of hand-dropping the required pages or they can insert them into the continuous document feeder and restart the process.

Documents and checks that have been scanned are removed from the output stacker and temporarily held pending the completion of data processing. Once processing has been completed the documents are held or disposed of according to the Customer's policies.

Checks are held pending the completion of the check verification process. When a data extract is performed, an electronic file of MICR and amounts is sent to the Wausau system for a Pass-2 encoding operation.

The document images for each batch are written to the Image File Server as a TIFF image file. Each image is indexed and accessible throughout the workflow process for each document type i.e. check, tax, or attachment. Each image is accessible for the various system steps. No duplication of images or modification is performed.

1.4.3 Data Capture with the SONAR (Scan-Optics Neural Auxiliary Recognition) Engine

Included in the design of the workflow and working in concert with the scanner, the SONAR engine is used for data recognition. An unattended PC dedicated to the recognition process hosts SONAR, therefore, it does not require operator intervention. SONAR periodically polls the directories that receive the image files from the scanner. The SONAR application is an intelligent recognition engine that uses information from the scanner to select the appropriate definition to recognize information on the document. If multiple form types exist within one job the SONAR engine can select from multiple page definitions to apply recognition.

1.4.4 2D Barcode Recognition with ICR Assist

For this application the SONAR engine applies 2D Bar-code recognition. For returns that fail the 2D read, SONAR will apply OCR/ICR recognition to the failed return. No reading of attachments or supporting documents is proposed, although these documents will be imaged for archival purposes.

The 2D Bar-code recognition is a highly accurate 'read-from-image' process that recognizes the content of PDF-417 Barcodes. The 2D Barcode contains a substantial amount of information, therefore, the results of the recognition engine is either pass or fail which means that the information read is 100% accurate – or it is rejected.

The results of the recognition process are written back into the TIFF tags for each image within a batch. This feature binds the data with the image such that there is no possibility of losing or miss-applying recognized data to the wrong source image.

The OCR/ICR reading of failed 2D Barcode returns will substantially reduce the manual key entry required for the estimated 2%-5% of returns that fall into this category. The OCR/ICR read results are entered into a form for operators to review and correct low-confidence data.

1.4.5 Check CAR/LAR and MICR

Checks will have an optical MICR read performed to assist and augment the magnetic read performed by the SO-Series scanner. These checks will also have the courtesy amount and legal amount recognized. The MICR reading is employed to identify checks that have been scanned upside down through the scanner and not identified as a check.

1.4.6 Import

The import is used to bring in data recognized by the scanner and off-line recognition processes into a database along with the location of images. As these are brought into the system, an analysis is performed to identify document types and transaction boundaries. If an error is encountered during the import, the transaction and associated images are routed to an operator for identification as to the document type prior to further processing.

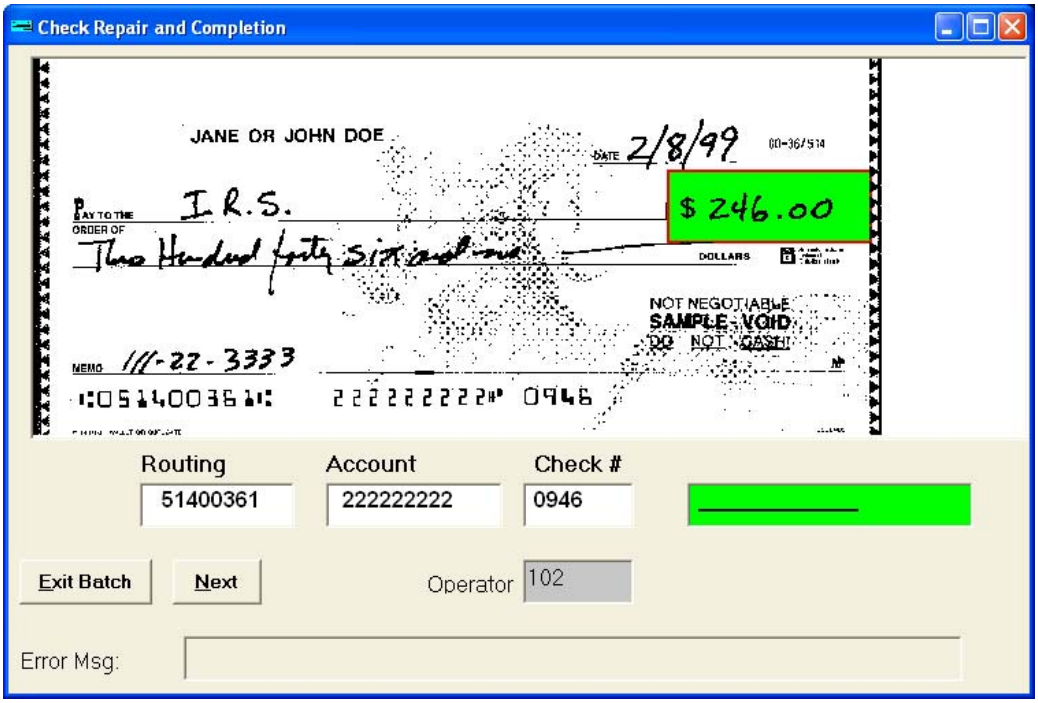
1.4.7 Transaction Repair

In the case that two or more transactions are incorrectly merged, the transactions will be will be presented for operator resolution to include splitting the transactions and/or deletion for rescanning, at an attended process station. The new separated transactions will be re-ordered in the database. The details of this process will be established in the Detail Design.

1.4.8 Check Verification

Only batches with checks are processed through this portion of the workflow. Check images are presented to an operator to correct any check amounts and any MICR recognition errors.

An example of the screen presentation is shown in following figure.



1.4.9 Deposit Data Correction

Those returns with either no barcode or a barcode that could not be read are presented to an operator to key the total amount of the return. Only the form total is entered, with the other data fields to be corrected or entered after deposit processing. This amount is used to balance the returns to the associated checks during the balancing operation. The limited data correction is used to provide needed data while focusing upon the timely deposit of the checks.

1.4.10 Deposit Balancing

Transactions are examined for balance errors and any errors detected are presented to an operator for resolution. In this process, four possible situations can exist:

1. 2D Barcode read, manually entered check amount agree. These transactions are not presented to a data entry operator for verification.
2. 2D Barcode read, manually entered check amount do not agree. If the keyed amount disagrees with the return amount, the operator is alerted and must re-key the check amount. In all cases the check amount entered must agree with the amount shown on the check image.
3. 2D Barcode failed and OCR of return amount read was successful. If the keyed amount disagrees with the return amount, the operator is alerted and must re-key the check amount. In all cases the check amount entered must agree with the amount shown on the check image.
4. 2D Barcode failed and OCR recognition of the return amount failed. For these transactions the check amounts will be entered twice. The second keying will be used to verify the first to make sure that all check amounts are verified.

For Multiple Returns, the sum of the checks is used for balancing against the sum of the return amounts. If any one return in a multiple transaction has failed 2D Barcode recognition, then none of the tax return amounts are used to confirm the check amounts and case 4 above applies. Case 4 applies to those situations where the check amount does not match the amount on the return.

1.4.11 MICR Extract and Format

Batches with no balance errors are formatted and extracted into an electronic file for the Wausau system. The Wausau system uses this electronic file to perform pass-2 power encoding of the physical checks out-sorted during the scanning operation

1.4.12 Postmark entry for Late Returns

Batches marked as ‘late’ are routed to this operator workstation. Since there is no positive identification of an envelope such as a patch code or MICR line; the envelope will be placed as the last document for each return. This allows the application to bring up an image of the envelope without requiring the operator to page through all images for a transaction.

The application presents an image snippet of the upper right quarter of the envelope magnified for viewing. The operator would data enter the date and the next envelope would be presented. Provision for the automatic duplication of fields is provided to reduce the number of key-stokes required.

An example of how this application could be presented is shown in the following:

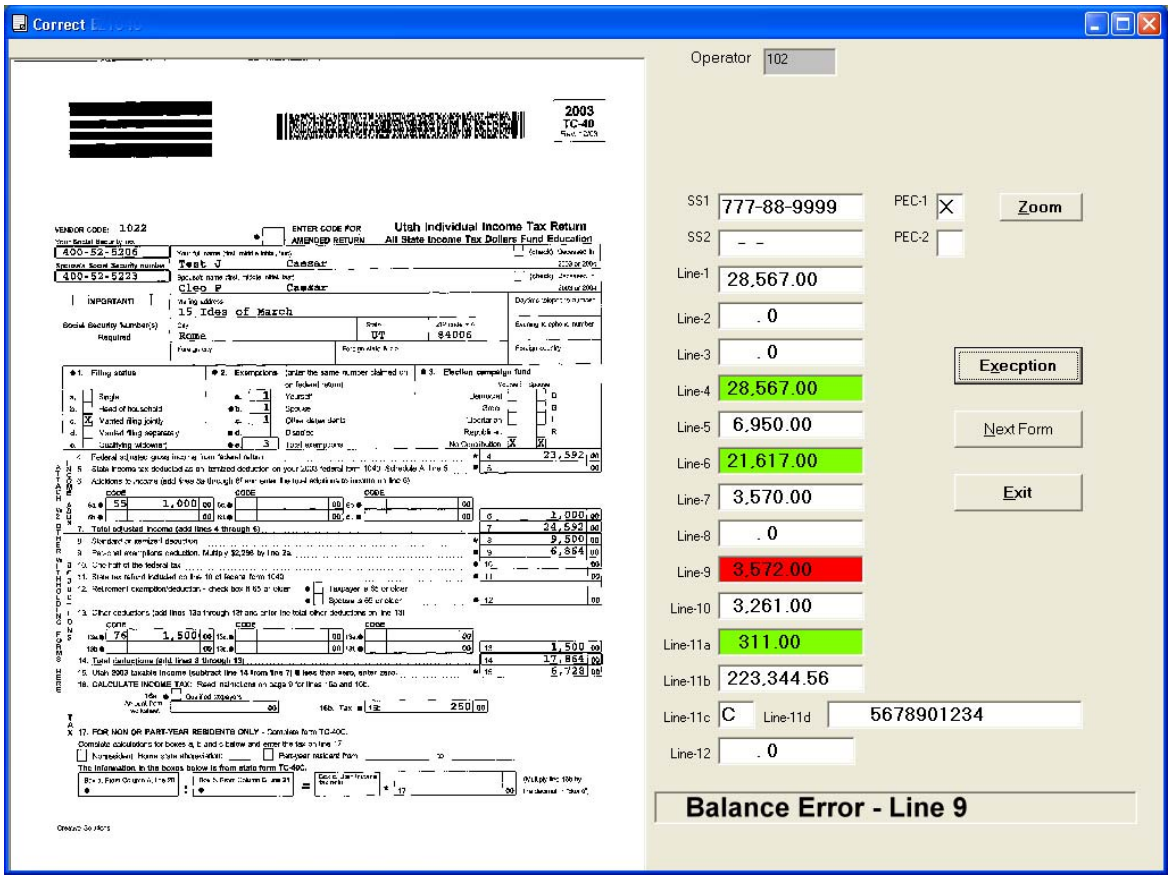
1.4.13 Data Entry of Returns that fail 2D Barcode

Due to print variances and other issues an estimated 2%-5% of 2D returns will not be read on initial capture. When this occurs, the SONAR OCR/ICR engine will attempt to read the machine printed data on the return (not attachments, returns, W-2s or checks). Low-confidence data from the SONAR recognition process is presented to data entry operators for correction. The failed 2D barcode returns remain in the workflow through completion and upload to the host.

The processing of tax returns that fail 2D Barcode is separate from the check data entry process and may be done in parallel.

Those tax returns that fail 2D Barcode recognition and have low-confidence characters from SONAR are presented to a data entry operator. VistaCapture uses an image assisted data repair process that highlights low confidence fields on the image to assist the operator in the data repair process. Additionally, various business rules and data edits are applied, including but not limited to check digits, table-lookups, signature detect and internal arithmetic results (ex. Total Income = sum of lines 4 through 6) and automatically checked and presented for repair if necessary. As the operator navigates from field-to-field in the data entry screen, the field highlighting tracks with the operator on the image. Based on Customer rules, as defined in the Detail Design, failed data content will be repaired or flagged with an Error Code. Forms that fail Balancing or Validation are presented to an operator to reconcile any balancing, edit or validation failures. Override of failures is also an option that will be determined at Design time.

Based on business rules, documents can be routed to various work queues based on document content (such as knowledge workers). Final design of the business rules and work queues will be defined during the detail design phase of the project.



1.4.14 Return Extract

Return Data Formatting and Tracking

Once all validation edits pass, the TAXexpress Export process formats the completed batches for host transmission. The host can retrieve the completed information via file share. This is planned as a pull process.

Synchronization with the Document Tracking system will be performed at this stage of the workflow.

It is assumed that both tax return information along with payment information will be formatted and uploaded to the Customer host system in the same file.

Image Export to Archive

Once processing is completed for the check and tax return, the TIFF image files will be exported to an imaging repository. The images are stored into directories as single image or single transaction TIFF files named with the ICN that was assigned to that image during scanning along with a page subsequence number.

An ASCII flat file will be created with a pointer to the image and index information. At a minimum the index will be the ICN and may include additional information from the return (such as primary name, amount paid, etc.). This file can be used to import the images and index information into the image archive system.

The structure of the image repository (directories and file naming conventions) will be determined during the Detail Design.

Our Scan-Optics solution provides the capability to create DVD's (original and backup) of each day's images and index information. Each day, a DVD with the images for the current day is created and then labeled with the date. When an image is needed the DVD with the date matching the first part of the ICN is pulled. The file

with the name matching the ICN can be opened and viewed using the Windows supplied image viewer. The recorded images are not modifiable or alterable and would satisfy the security concerns of Customer.

Most days transaction volumes fit on a single DVD, but the application would take into account the size of a DVD and would output multiple disks if needed. It also can burn two copies so that a backup set would be created as well for off-site storage. With a 4.7GB DVD and assuming an average image size of 60KB the Customer can expect on a peak day with 10,000 returns of 5 pages to create about 1 DVD for that day which would be the largest case. Note that CD creation is also an option.

Media	Image size	Capacity
CD – 700MB	60,000	11,600 images
DVD – 7.4GB	60,000	123,000 images

An example of the control screen for this process is shown:

1.4.15

Administrator Control

Although this is not shown as a workflow component, an Administrator Control application will be provided to allow the monitoring of batches as they are processed through the system. Generally, this is customized for the Customer. An example of how the contents of the work in progress could be presented is shown:

1.5 Form Example TC-40

2003
TC-40
Rev. 12/03

VENDOR CODE: 1022

ENTER CODE FOR AMENDED RETURN

Utah Individual Income Tax Return
All State Income Tax Dollars Fund Education

Your Social Security no. 400-52-5206
Spouse's Social Security number 400-52-5223

IMPORTANT! Social Security Number(s) Required

1 Your full name (first, middle initial, last): Test J Caesar — (check) Deceased in 2003 or 2004
2 Spouse's name (first, middle initial, last): Cleo P Caesar — (check) Deceased in 2003 or 2004
3 Mailing address: 15 Ides of March — Daytime telephone number
4 City: Rome — State: UT — ZIP code + 4: 84006 — Evening telephone number
5 Foreign city — Foreign state & zip — Foreign country
6
7

1. Filing status	2. Exemptions (enter the same number claimed on on federal return)	3. Election campaign fund
a. [ ] Single	a. 1 Yourself	Yourself / Spouse
b. [ ] Head of household	b. 1 Spouse	Democrat [ ] [ ] D
c. [X] Married filing jointly	c. 1 Other dependents	Green [ ] [ ] G
d. [ ] Married filing separately	d. Disabled	Libertarian [ ] [ ] L
e. [ ] Qualifying widow(er)	e. 3 Total exemptions	Republican [ ] [ ] R
		No Contribution [X] [X]

8 9 10 11

ATTACH W2 OTHER WITHHOLDING FORMS HERE

INCOME

12 4. Federal adjusted gross income from federal return * 4 23,592 00
13 5. State income tax deducted as an itemized deduction on your 2003 federal form 1040, Schedule A, line 5 5 00
14 6. Additions to income (add lines 6a through 6f and enter the total additions to income on line 6)

CODE			CODE			CODE		
6a 55	1,000	00	6c		00	6e		00
6b		00	6d		00	6f		00

15 6 1,000 00
16 7. Total adjusted income (add lines 4 through 6) 7 24,592 00

ADDN DEDUCTIONS

17 8. Standard or itemized deduction * 8 9,500 00
18 9. Personal exemptions deduction. Multiply $2,288 by line 2e. 9 6,864 00
19 10. One-half of the federal tax 10 00
20 11. State tax refund included on line 10 of federal form 1040 11 00
21 12. Retirement exemption/deduction - check box if 65 or older [ ] Taxpayer is 65 or older [ ] Spouse is 65 or older 12 00
22 13. Other deductions (add lines 13a through 13f and enter the total other deductions on line 13)

CODE			CODE			CODE		
13a 76	1,500	00	13c		00	13e		00
13b		00	13d		00	13f		00

23 13 1,500 00
24 14. Total deductions (add lines 8 through 13) 14 17,864 00
25 15. Utah 2003 taxable income (subtract line 14 from line 7) If less than zero, enter zero. * 15 6,728 00
26 16. CALCULATE INCOME TAX: Read instructions on page 9 for lines 16a and 16b.
27 16a [ ] Qualified taxpayers — Amount from worksheet 00 — 16b. Tax 16b 250 00

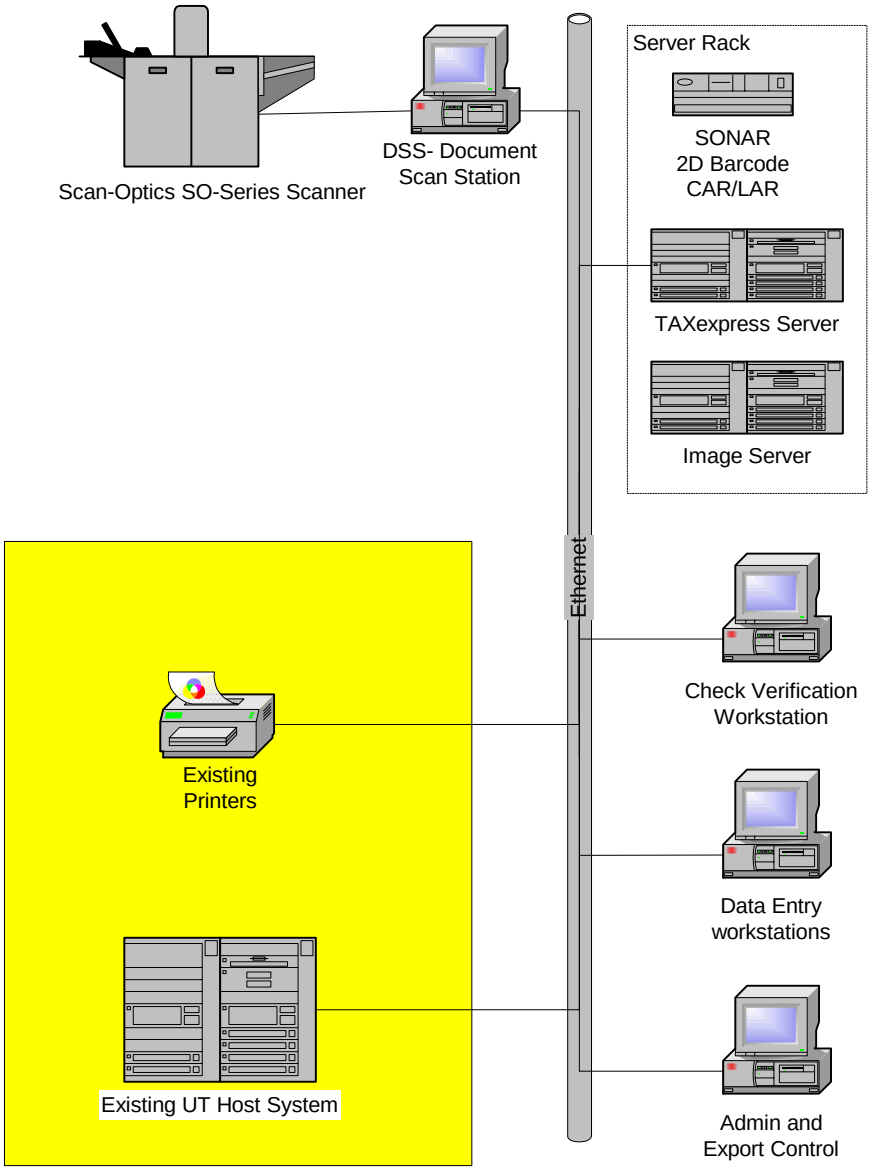
TAX

28 17. FOR NON OR PART-YEAR RESIDENTS ONLY - Complete form TC-40C.
29 Complete calculations for boxes a, b and c below and enter the tax on line 17.
30 [ ] Nonresident. Home state abbreviation: ____ [ ] Part-year resident from ____ to ____
The information in the boxes below is from state form TC-40C.

Box a. From Column A, line 28 ÷ Box b. From Column B, line 28 = Box c. Utah income tax ratio * 17 00 (Multiply line 16b by the decimal in 'Box c')

Creative Solutions

1.6 System Components



1.7 Volume and Sizing Estimates

1.7.1 Scanner Sizing

The following represents Scan-Optics' calculations for processing the required volume of returns and checks detailed in the ITB. In analyzing the volume information provided by the Customer, Scan-Optics has used volumes presented within the ITB of:

- 111,600 2D Barcoded Tax Returns with 52,000 over April Peak
- The single peak day is sized to 10,000 2D Tax Returns
- 60% of these include a check during the peak from 4/15 through 4/30

1.7.2 Exception Processing Workstations

Transaction Processing workstation processes include Transaction Repair, CAR/LAR correction and correction of OCR/ICR data.

Data entry estimates for the completion of tax returns are estimated on a 95% to 98% recognition rate for the 2D Barcode, this translates into about 200-500 returns on a peak day of 10,000 total tax returns.

The magnetic MICR reader operates with 96% accuracy and with the proper setup CAR/LAR accuracy is between 65-75%. This means that the Customer can expect to require data-entry/perfection for about 1,500 to 2,000 checks on a peak day.

At correction rate of 8,000 keystrokes per hour for an average of 6 characters the Customer can expect 1.2 to 1.6 hours of data entry to complete the deposit critical step prior to power encoding.

Based on these numbers, it is expected that three workstations will suffice until volumes increase or scope changes.

System Servers

The servers detailed below will host the database and color images of the TAXexpress solution. Data will remain on the Database Server until the host upload has been completed and the migration of index and image information to the Image Server has been completed and all transfers are confirmed.

Database Server Sizing				
Application	**Number of Records Year**	**Retention (Year)**	**Bytes/ Record**	**Production: (KB)**
Operating System & Application Software	Static			5,000,000
Reserved f/DB Backup to Disk	Static			4,923,792
Database Sizing				
TC-40 2D Barcode Returns	111,600	1.0	2,000	223,200
				0.0
Archive Index	111,600	10.0	2,000	2,232,000
Operator Statistics (one rec/batch)	2,232	10.0	300	6,696
Flat files to/from Host				
TC-40 2D Barcode Returns	112,716	5.0	2,000	1,127,160
				0.0
Batch Size	100	Total	KB	13,512,848
		Total	MB	13,512.8
		TOTAL	**GB**	**13.5**

Image Server Sizing				
Application	**Number of Records Yr**	**Retention (Yr)**	**Bytes/ Record**	**Production: (KB)**
TC-40 2D Barcode Returns (5 pg)	750,000	1.0	60,000	45,000,000
150,000 5-page returns				0.0
				0.0
Archive Index	750,000	1.0	500	375,000
Batch Size	100	Total	KB	45,375,000
		Total	MB	45,375
		TOTAL	**GB**	**45.4**

Note that the image server sizing includes an estimate of the database size used to retain the index information for future migration to a document archive system.

1.8 Deliverables

1.8.1 Major application subsystems to be provided include:

- So-Series scanner, duplex, with MICR and Patchcode, 2-pocket module and Scanning jobs
- SONAR – OCR/ICR, 2D Barcode, MICR and CAR/LAR
- TAXexpress deposit processing, power encode extract, transaction repair, form completion, host extract, image extract
- Image CD/DVD creation

1.8.2 Other service deliverables include:

- Operator and Administrator Training
- Programmer Training

1.8.3 The installed system will support the operating environments of:

- Production
- Testing
- Development.

1.8.4 Hardware and System Software Deliverables are contained in Attachments A & B: Equipment Pricing and Configuration.

1.8.5 Scan-Optics will provide the following reporting:

- Project Plan with Microsoft Project
- Task Level Project Reporting on a Bi-weekly Basis

1.8.6 Project Documentation

- Detail Design Specification
- LAN diagrams (specific to SO proposed items)
- Operator documentation
- Training Plan including on-site.

1.8.7 Deliverables outside the defined scope will be addressed via the Project Change Order Process.

1.9 Key Assumptions

The following assumptions have been used as primary considerations in the development of this SOW

- Customer will be responsible for costs/labor relating to facilities work (i.e. computer room and scanner room), network infrastructure, and any communications line installation.
- The proposed system will reside on the existing LAN infrastructure.
- Customer will develop any operation manuals for system administration or user manuals that are beyond the descriptions provided in the Detail Design Specification.
- Any on-line help text will be developed by Customer.
- Operational training will be facilitated by a “Train the trainers” approach. Please see the Project Plan for more specific information.

- This Statement of Work and Detailed Design Specifications will drive the Scan-Optics deliverables.
- Dates and activities identified in the work plan will define resource allocation and participation by Scan-Optics and Customer.

2. Customer Responsibilities

Customer understands that they have certain responsibilities that will contribute to a successful project implementation. These responsibilities must be met on a timely basis per the mutually agreed project plan in order to ensure that project milestones are achieved as scheduled.

2.1 Project Management and Support

A Customer Project Manager will be assigned as the primary source of contact for the Scan-Optics Project Manager. The Customer Project Manager represents the Customer by approving the Detail Design Specification, Installation System Qualification and Verification of Detailed Test Plan and Test Plan Completion Certification.

2.2 Information Resources

Customer is responsible for supplying configuration, mapping, address assignments, etc. where Scan-Optics devices are clients on the Customer's wide area network. Network support personnel must be available as needed to work on connectivity and network issues related to installation and configuration of the new system into the Customer's wide area network.

Customer will provide to Scan-Optics current system documentation of key components of the existing system interfaces that include such elements as:

- Directory and file naming conventions.
- File layouts for the image and data files.
- Appropriate host batch file layouts.
- Network names and internet addressing

2.3 Testing Materials and Support Resources

Customer will supply all necessary test forms in the specified volumes and conditions for development and testing per the Project Plan and Test Plans as developed within detailed design specifications. Detail test scripts will be generated that reflect the complete operation of the deliverables defined in the SOW. These test scripts will include:

- Data Inputs
- Data Outputs
- Operator Actions
- Expected System Actions
- Performance considerations
- Description of any exception conditions to be observed
- Report format for recording test script execution

The purpose for creating the detailed test scripts concurrent with detail design creation is to ensure all test cases have been considered in the solution design.

Operational Personnel and System Administrators will be available during scheduled training and testing periods. Customer personnel scheduled for training or testing should be available for a normal 8-hour day unless otherwise specified in the Training Plan and System Test Plan.

2.4 Hardware and Software

Customer will provide the following hardware and software components for the installation of the Scan-Optics TAXexpress software and application(s). If the Customer has existing hardware that is less than specified, they can provide Scan-Optics with the specifications for the existing hardware for Scan-Optics to assess its suitability.

2.4.1 Application and Image Server(s)

At the Customer's option the TAXexpress solution can be installed on a single server or distributed onto two servers. To facilitate the planned future phases, the two-server option is recommended. The server requirements are as follows:

Database Server

Model: Quad processor capable Intel Xeon P4 based server
CPUs: (2) 1.5 Ghz or higher Intel Xeon P4
RAM: 4 GB
Ethernet: 100 MB
Raid Array: (6) 36 GB drives
Tape Backup: SDLT (or other system solution)
Software: Windows2000 Server & SQL2000 Server

Image-File Server

Model: Dual processor capable Intel Xeon P4 based server
CPUs: (1) 1.5 Ghz Intel Xeon P4
RAM: 3 GB
Ethernet: 100 MB
Raid Array: (4) 36 GB drives
Software: Windows2000 or Windows2003 Server

2.4.2 SONAR w/2D Barcode & Indexer Backroom Processor PCs (2)

Model: Any Intel P4 PC
CPU: 3 Ghz P4 or higher
RAM: 1 GB
Ethernet: 100 MB
Disk space: 20 GB drive
Software: Windows2000 or WindowsXP Professional & SQL Client

2.4.3 Attended Workstations

Model: Any Intel P3 or P4 PC
CPU: 1 Ghz higher
RAM: 1 GB
Ethernet: 100 MB
Disk space: 20 GB drive

Software: Windows2000 or WindowsXP Professional & SQL Client

2.4.4 DSS Scanner Control PC

Model: Any Intel P3 or P4 PC
CPU: 1 Ghz higher
RAM: 1 GB
ADAPTEC SCSI III Card
Ethernet: 100 MB
Disk space: 20 GB drive
Software: Windows2000 or WindowsXP

2.5 Facilities

Customer will provide Scan-Optics personnel appropriate facilities during installation such as:

- Desk space
- Building access (off-hours and weekends, if needed)
- Access to a fax machine, printer, and copy machines
- Network access to application network
- Network access to all regions of the installed Scan-Optics system
- Voice phone line in the systems operations area.
- Development network connection in the scanning and support equipment areas and external Internet access.
- Remote access to Scan-Optics' system.

2.6 Site Preparation

Equipment – Customer supplied Servers, Hubs, Wiring Closets, etc. shall be available and accessible as needed to complete phases of the project installation and testing.

The site should be prepared to accept equipment as shipped and installed.

Space should be available for scanners, servers, workstations, and other hardware covered by this SOW.

Power and network infrastructure will be ready to accommodate installation by Scan-Optics support personnel.

3. Project Services and Administration

Scan-Optics will provide project leadership services for the tasks in this Statement of Work. A Project Manager will be provided by Scan-Optics, who will have explicit responsibility for the administration and technical direction of Scan-Optics' activities. The Customer Project Manager will assume similar responsibilities for Customer project tasks and related activities.

Scan-Optics project leadership duties will include:

- Scan-Optics and Customer Project Managers shall review this SOW, and administer the Project Change Request Process as defined in Attachment C.
- Provide orientation for new project team members.
- Develop project work plans in coordination with the Customer Project Manager.
- Measure and evaluate project progress against established project work plan, and schedule.

- Produce updated project work plans for the Customer Project Manager at a mutually agreed upon frequency which should include anticipated time to completion dates and task completion percentages.
- Scan-Optics Project Manager will provide consulting, technical, and administrative support to Customer during the implementation for the project scope.

3.1 Detailed Design Specification

The objective of this step will be to design the System from a technical or internal system perspective. Scan-Optics will assume the leadership role in the development of the Detailed Design Specification with Customer providing the necessary and appropriate technical and functional support resources and information.

The results of this process will be a document that embodies the applications, network design, document flow, and hardware requirements for the Project.

Sub tasks for this step include, but are not limited to the following:

- Define end user interface formats and keyboard functionality
- Define system administration procedures necessary to support the system
- Define procedures and processes for exception handling
- Define performance related system Verification criteria
- Define the underlying network directory structures.
- Qualify, review, and approve the LAN design description.
- Review processing rules, data validation needs and data capture requirements.
- Review statistics capture requirements.
- Review and approve any new document design.
- Review and approve the scanner application design/specifications.
- Review and document data entry applications design.
- Review and document detail workflow design.
- Review and document data extract and host interface design.
- Review, test and approve selected hardware for compatibility with Scan-Optics Licensed Program(s).
- Review and approve exact screen layouts and presentations to operators.
- Verification test criteria including Volume Test
- Define Detail Test Scripts

3.2 System and Application Development

The objective of this step will be to develop the required Application Program(s) and other administrative level software functions to meet the deliverables defined in the Detailed Design Specification. The Detailed Design Specification will outline and define the technical development areas that will be addressed by Scan-Optics during this step.

Unit testing and a limited amount of system integration testing of the various components are also included in this phase of the project.

Scan-Optics and Customer will assume predetermined development roles for the identified work as defined by the project plan. The Detailed Design Specification as well as the project work plan will define roles and responsibilities for application development.

Sub-tasks in this step include:

- Develop and unit test image capture/retrieval applications.
- Develop and unit test workflow control/management applications.
- Develop and unit test applications.
- Develop and unit test System Output applications.

- Develop and unit test database tables and related applications.
- Develop and unit test all purge processing functions required to support the administration and operation of the system.
- Develop and unit test specified supervisor and administrative applications.

3.3 Integration Testing & System Qualification

The objective of this step is to have Scan-Optics personnel execute Integration Testing of the required Application Program(s) and other administrative level software functions required to meet the deliverables defined in the Detailed Design Specification at Scan-Optics prior to shipment.

Customer is invited to participate in the final System Qualification step of Integration Testing. System Qualification validates that a system is ready for installation at the customer site using the Detailed Test Scripts and data defined concurrently with the Detail Design Specification.

As part of the delivery and installation, Scan-Optics will repeat this System Qualification to insure the delivered system meets the deliverables defined in the Detailed Design Specification.

3.4 Training at Customer

Training Services are designed to “train the trainer” and will follow an agreed to Training Plan. Scan-Optics will train customer-designated trainers, who will in turn train the individual operators. Unless specifically agreed to in the Training Plan, all training will occur during normal working hours (9am-5pm, M-F).

Training for selected Customer personnel on all of the operational aspects of the delivered application will include operational and administration training.

Sub-tasks for this step include:

- Provide operational and administrative training for up to six (6) Customer "trainers" on the developed system using the "train-the-trainer" approach.
- Key personnel from Customer will provide training for their own staff, with Scan-Optics providing support for this effort with developed training materials.

3.5 Verification / Acceptance Testing at Customer

The objective of this step will be to conduct a controlled execution of the Detailed Test Scripts for quality assurance and adherence to the deliverables outlined in the Detailed Design Specification. Verification will be performed jointly by Scan-Optics and the Customer. Verification will be deemed complete upon successful execution of the Detailed Test Scripts as defined in the Detail Design Specification. Upon completion, Customer will sign a Test Script Completion Certificate, which shall constitute final acceptance of the delivered software application. Upon final verification and acceptance of the system, a schedule and plan will be developed jointly by Scan-Optics and the Customer for production implementation.

Sub tasks in this step include:

- Install and modify all Scan-Optics developed Application Program(s) with the other sub-systems that it must interface with per the Detail Design Specification.
- Debug, modify, and retest any and all Application Program(s) or procedures for identified anomalies.
- Participate in a controlled Detailed Test Scripts execution for the Project with Customer. Test results will be evaluated by Scan-Optics and the Customer for quality assurance purposes, as well as, adherence to the deliverables outlined in the Detailed Design Specification. Developing the Detailed Test Scripts will be the responsibility of Customer in the Detail Design phase with Scan-Optics providing the necessary plan and test set development support.
- Customer will develop and maintain test cases for the implementation process.
- Scan-Optics will assist Customer Information Services Personnel to ensure successful exchange of data between Customer’s Legacy Systems and the Scan-Optics Provided System.

4. Estimated Project Schedule

A detailed project schedule will be developed as part of the Detail Design process. The intent is complete work in time to process 2D income tax returns for the 2004 filing period that begins January 1, 2005.

5. Performance Terms and Conditions

Performance and capacity requirements will be finalized during the Detail Design Specification process.

Verification / Acceptance criteria will be based upon the criteria defined in the Detail Design Specification. Verification / Acceptance testing will be used to validate system adherence to the Detail Design functionality and performance. Any requested changes to the agreed scope and functionality per the Functional Design Specification will be administered via Scan-Optics' Project Change Request Process.

- Any Scope and pricing issues will be administered via the Project Change Request Process.
- The Scan-Optics Project Manager shall formally document change requests in writing using the Scan-Optics' Project Change Request Form that includes a time estimate for completion of the change, and the attendant cost, if any. Scan-Optics will also inform the Customer's Project Manager of the time impact to the overall project, if the requested change is done as a priority.
- The Customer must approve any attendant charges prior to work commencing.

6. Professional Services Fee; Schedule for Payment

Professional services under this Statement of Work are performed by Scan-Optics on a time and materials basis, subject to the following limitations:

Customer will pay Scan-Optics a maximum of $175,040 for services rendered under this Statement of Work using the hourly rates applicable to each service as specified in the Scan-Optics Priced Proposal to The Utah State Tax Commission for High-Speed Data Capture for 2D Barcodes dated June 8, 2004.

In addition, Customer shall be responsible for all out-of-pocket costs and expenses reasonably incurred by Scan-Optics in the performance of services under this Agreement, including, without limitation, all meals, travel, and lodging costs incurred by Scan-Optics personnel, subject to the agreed upon Memorandum of Understanding for Travel Expenses. These costs and expenses are in addition to the maximum amount payable for services listed above.

Scan-Optics shall invoice Customer as per paragraph 14 of Attachment B to the Agreement.

Current levels of effort by service are listed in the table below. This is based upon the current understanding of system requirements and may change as the project Detail Design is completed.

Services			
Service Description	**Price**		
	Maximum Hourly Rate	**Extended Price**	**Possible Level of Effort**
Planning and Process Design	$233	$27,960	120
Development	$133	$73,150	550
On-site Installation and Setup	$233	$18,640	80
Testing	$133	$11,970	90
Acceptance Test	$133	$5,320	40
Training	$133	$10,640	80
Sub-Total Services Pricing		**$147,680**	**960**
Optional Services Included in the Total Price Bid:			
CAR/LAR Automated Check Processing Design		$5,760	32
Integration of MICR read data file with remittance processing to eliminate manual single pocket encoding.		$21,600	120
Sub-Total Optional Services Pricing		**$27,360**	**152**
Sub-Total Services Pricing		**$175,040**	**1,112**

Authorization to Proceed:

Utah State Tax Commission	Scan-Optics, Inc.
Printed Name	Printed Name
Title	Title
Signature	Signature
Date	Date