JUSTIFICATION FOR NON-COMPETITIVE PROCUREMENT

COMPLETE THIS SECTION IF NEW CONTRACT

For contract(s) in this request, answer applicable questions in each of the 4 major subject areas below in accordance with the Instructions for Preparation of Non-Competitive Procurement Form on the reverse side.

Request that negotiations be conducted only with __PAY-EASE, INC.__ for the product and/or services described herein.
(Name of Person or Firm)

This is a request for _____ (One-Time Contractor Requisition # _____, copy attached) or ____X____ (Term Agreement or
____ Delegate Agency (Check one). If Delegate Agency, this request is for "blanket approval" of all contracts within the
_____ (Attach List)   Pre-Assigned Specification No. __21325__
(Program Name)   Pre-Assigned Contract No. _____

COMPLETE THIS SECTION IF AMENDMENT OR MODIFICATION TO CONTRACT
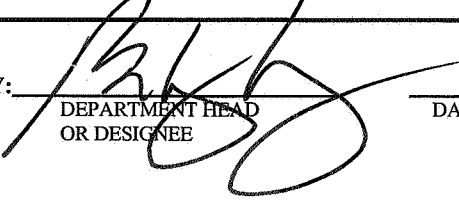
Describe in detail the change in terms of dollars, time period, scope of services, etc., its relationship to the original contract and the specific reasons for the change. Indicate both the original and the adjusted contract amount and/or expiration date with this change, as applicable. Attach copy of all supporting documents. Request approval for a contract amendment or modification to the following:

Contract #: _____   Company or Agency Name: _____

Specification #: _____   Contract or Program Description: _____
Mod. #: _____ (Attach List, if multiple)

__STEVEN Y. SAKAI__   __7-3753__   _____   __REVENUE__   __09·NOV·2004__
Originator Name   Telephone   Signature   Department   Date

Indicate SEE ATTACHED in each box below if additional space needed:

( ) PROCUREMENT HISTORY 1ST·TIME REQUEST PLEASE SEE ATTACHED
( ) ESTIMATED COST APPROXIMATELY $12,240.00/year PLEASE SEE ATTACHED
( ) SCHEDULE REQUIREMENTS REQUESTING ASAP PLEASE SEE ATTACHED
( ) EXCLUSIVE OR UNIQUE CAPABILITY PLEASE SEE ATTACHED
( ) OTHER PLEASE SEE ATTACHED

APPROVED BY: _____ _____   _____ _____
             DEPARTMENT HEAD   DATE   BOARD CHAIRPERSON   DATE
             OR DESIGNEE

| City of Chicago |
| Department of Procurement Services |
| Suite 403 |
| City Hall |
| 121 North LaSalle Street |

JUSTIFICATION FOR NON-COMPETITIVE PROCUREMENT

Pay-Ease, Inc.

PROCUREMENT HISTORY

A Sole Source request was submitted to DPS on February 23, 2004, for *Pay-Ease, Inc.*, to furnish, install, maintain, and manage automated collection of parking tickets by kiosk. The request was returned to Department of Revenue on March 25, 2004, with a 4-to-zero unanimous vote, because the SSRB felt that this was a "concessions-type" contract which should therefore go before City Council for approval; not the SSRB.

The *Pay-Ease* proposal has been fundamentally changed into a fee-for-service type requirement, ie., there will be NO CHARGE to the citizens making payments to the City on a kiosk, but rather the City would be charged a fee for each kiosk payment transaction.

The Department of Revenue's Payment Processing Division has NOT benefited from the type of convenience payment processing available through a *Pay-Ease* kiosk. Although standalone self-pay vending machines (e.g. self-pay parking kiosks; CTA debit card payment machines, library coin-card copy payment machines) are commonplace – the *Pay-Ease, Inc.* kiosk payment stations are characterized by having a distinctly different capability and are situated in a unique market niche which is NOT available anywhere else in the City of Chicago. (Please see the section entitled: "Exclusive or Unique Capability," below.)

Whereas the Director of Revenue must achieve the highest rate of reconciliation of debt owed to the City, *Pay-Ease, Inc.*, has developed a unique solution which, if accepted, would enable the City to benefit by installing, for the first time, scalable electronic devices (kiosks), having proprietary software that fully integrates with the City's existing *ReCaps Cashiering System,* and facilitating debt-payment transactions to be made more conveniently, especially by the socioeconomic classes who are not Internet-connected; all with minimal human interface on the part of Department of Revenue personnel.

This functionality would augment Department of Revenue's current Internet payment options, by physically placing a kiosk into precincts and wards where cash, especially, as well as other conventional payment options (personal check, credit card, etc.), becomes an option and benefit for the constituents to reconcile outstanding debt owed to the City.

ESTIMATED COST – Approximately $12,240 per year

There are two proposed per-transaction fees chargeable to the City: $0.48 per each cash payment transaction, and $0.60 per each personal check payment transaction.

It is very difficult to accurately project the potential number of transactions which can be expected, especially since this method of payment has never been an option to the City of Chicago citizens, however, one estimated projection given is: 300 transactions per month, per machine, at 7-machines, equals 2,100 transactions per month total (approximately 2,000 transactions by cash and 100 by personal check), equaling about **$1,020 per month** (or $12,240 per year).

Furthermore, the per-transaction monthly invoice to the City could potentially be reduced. If a kiosk is placed in a City of Chicago property (currently all 7-machines are in grocery stores) then for every payment transaction made on that kiosk to a third-party entity (e.g. *ComEd, People's Energy, SBC*), the City's transaction fee monthly total would be reduced by a proportionate amount (e.g. $0.10 reduction in the monthly invoice to the City for each third-party payment transaction).

It must be noted that there will be NO COST CHARGED TO THE PUBLIC for making any payment of debt to the City. The Department of Revenue would pay a transaction fee to *Pay-Ease*, but benefit by realizing an increased number of debt reconcilliations.

Unreasonable costs would be avoided by the City by NOT publicly soliciting a kiosk payment solution. The amount of time and resources needed to impart the knowledge necessary to create a software interface with the existing Department of Revenue *ReCaps* software, would be incalculable. (Please see the section entitled: "Exclusive or Unique Capability," below.)

SCHEDULE REQUIREMENTS

Due to the increase in types of payments which must be made by its constituents to the City of Chicago, and because of the rise in payment processing incurred by the Department of Revenue, the likely cost/benefit ratio anticipated by the Department of Revenue would be realized if the contract Agreement could be awarded as soon as possible.

EXCLUSIVE OR UNIQUE CAPABILITY

There is no known entity in the City of Chicago or surrounding suburbs who provides a self-pay kiosk-type machine that accepts payments on behalf of multiple private industry accounts. Usually, one machine, located on the property of the kiosk owner, is installed so that payments can be made through the kiosk to the owner whose property the kiosk resides on. However, imagine a kiosk located on a property which is open 24-hours a day, seven days a week, which accepts payments to an entity who is NOT the owner of the property where the kiosk is located.

Pay-Ease is currently the only provider of kiosks which are programmed so that consumers are able to make payments of utility bills the consumer has received from different utility companies (e.g. *ComEd*; *Peoples Energy*; *SBC*, etc) even though each kiosk is located at a retail store (e.g. *Dominick's*, and *Tony's Finer Foods*). In other words, the kiosks are in a grocery store, but are used to make a utility bill payment; NOT payments for purchases made to the grocery store that hosts the kiosk. (Typically, a pay-kiosk or ATM machine is placed at a location for the benefit of a single entity (eg. bank, parking self-pay machines, self-checkout stations), however, the *Pay-Ease* kiosk is unique since it is hosted at a location open to the public with the purpose of enabling convenience self-pay transactions which are NOT transactions made to the host.

No other private industry entity has created software to reside on a kiosk that enables seamless integration with the Department of Revenue's *ReCaps* software and thereby enable consumers to

make payments to the City via a kiosk. The designer of the *Pay-Ease* kiosk has enabled it to accept payments to utility companies as well as payments to the City of Chicago because of its unique architecture: it operates on a platform based on the City's *ReCaps Cashiering System's* software.

The knowledge required to program software to seamlessly interface with the Department of Revenue's *ReCaps* software and payment processes is NOT readily transferable and would require substantial time and human resources to impart such knowledge to a third-party. However, the uniqueness about *Pay-Ease*, is their President and CEO: Dean Scaros. Mr. Scaros was responsible for designing and implementing the City of Chicago's *Recaps Cashiering Collection System* for the Department of Revenue.

OTHER

Other positive benefits, albeit not necessarily "sole source" distinctions, are the following: (1) if different neighborhoods throughout the City of Chicago are populated by citizenry who are NOT Internet-savvy yet have a debt owed to the City of Chicago, then the *Pay-Ease* kiosk would become a more convenient payment option which is NOT currently available. Demographic studies of Chicago (and nationally) have been provided to *Pay-Ease, Inc.*, identifying high-traffic sites where the potential number of transactions to be made by the public using a *Pay-Ease* kiosk for the payment of utility bills would be the same group likely to make debt reconciliation payments to the City of Chicago. Because the payment was made on the *Pay-Ease* software platform, all such payments would then interface with the Department of Revenue's *ReCaps Cashiering System* software. (2) Most self-pay kiosk-type machines do NOT accept cash currency, whereas the *Pay-Ease* kiosk does accept currency. (3) The degree of scalability anticipated is encouraging. Whereas the current installation would start out as being for Parking Tickets, it is anticipated that ANY AND ALL other types of reconciliatory transactions made through *ReCaps*, would also be achievable through a *Pay-Ease, Inc.* kiosk.

Kiosk Functionality:
Each kiosk is versatile: They can be configured to accept cash currency, personal checks, credit- debit- and smart-card transactions. They can be configured to perform banking and wire transfers, and can easily operate with full ATM functionality. The kiosk touch-screen instructs the customer visually and verbally in the language they select (English, or Spanish – soon with Polish). The most unique function is that it operates on the same platform as the Department of Revenue's *ReCaps Cashiering System* software.

❒

For CPAC Team Use Only
Date Received _____
Date Returned _____
Date Accepted _____

IMPORTANT: PLEASE READ AND FOLLOW THE INSTRUCTIONS FOR COMPLETING THE PROJECT CHECKLIST AND CONTACT THE APPROPRIATE TEAM LEADER IF YOU HAVE ANY FURTHER QUESTIONS. ALL INFORMATION SHOULD BE COMPLETED INCLUDING THE SUPPLEMENTAL CHECKLIST REQUIRED BY THE SPECIFIC CPAC TEAM. ATTACH ALL REQUIRED MATERIALS AND SUBMIT FOR HANDLING TO THE DEPARTMENT OF PROCUREMENT SERVICES, ROOM 403, CITY HALL, 121 N. LASALLE STREET, CHICAGO, ILLINOIS 60602.

PROJECT
Date: _09·NOV·2004_
ID No (Spec, RX Project). : _12364_ (Spec# 21325)
Department: _REVENUE_
Bureau: _PAYMENT PROCESSING_
Contract No (if known): _____
Project Title/Description: _AUTOMATED COLLECTION SERVICES_

Contact Person: _STEVEN SAKAI_
Tel: _7·3753_ Fax: _7·7420_ E-mail: _DR00048_
Project Manager: _JULIA TRINH_
Tel: _4·8139_ Fax: _4·2729_ E-mail: _DR00445_
Estimated Value $ _12,240·· /year × 3 yrs = $36,720··_

SCOPE STATEMENT

_✓_ attached is a detailed scope of services and/or specification

IMPORTANT: THIS IS A CRITICAL PORTION OF YOUR SUBMITTAL. IN ORDER FOR A TEAM TO ACCEPT YOUR SUBMITTAL YOU MUST COMPLETE ALL TEAM SPECIFIC SCOPE REQUIREMENTS AS SET FORTH IN THE SUPPLEMENTAL CHECKLIST FOR THAT TEAM.

The following is a general description of what would be included in a Scope of Services or Specification:
A clear description of all anticipated services and products, including: time frame for completion, special qualifications of prospective vendors, special requirements or needs of the project, locations, anticipated participating user departments, citation of any applicable City ordinance or state/federal regulation or statute.

TYPE OF PROCUREMENT REQUESTED (check all that apply)
__Competitive Bid   __RFQ/RFP/RFS/RFI   ✓Sole Source**   ✓Term Agreement   __One Shot
__Mod/Amendment   __Time Extension   __Additional Funding   __Small Order   __S/O Emergency

FORMS
__F-25* (add line item)
✓F-26* (new term agreement)
__F-27* (time extension)
__F-29* (change vendor limit)

__F-10* (special approvals)
__RX (one-shot requisition)
✓APRF (all purpose request form)

✓SSRB** (sole source approval)
__OBM Authorization

** Sole source requests must include vendor quotes/proposal and MBE/WBE compliance requirements

FUNDING
City: ✓Corporate   __Bond   __Enterprise   __Grant*   __Other_____
State: __IDOT/Transit   __IDOT/Highway   __Grant*   __Other_____
Federal: __FHWA   __FTA   __FAA   __Grant*   __Other_____
Funding Strip(s): _04-100-29-4641-0140·0140_

* Attach copy of any applicable grant agreement terms and conditions

TIME FRAME
Date Needed: _ASAP_

Requested
Contract Term (y/m/d): _3yr + 3 x 1 yrs._

PRE BID/SUBMITTAL REQUIREMENTS
Requesting Pre Bid/Submittal Conference? __Yes ✓No   Requesting Conference be Mandatory? __Yes ✓No
Requesting Site Visit?   __Yes ✓No   Requesting Site Visit be Mandatory?   __Yes ✓No

12364

CPAC PROJECT CHECKLIST

ARCHITECTURAL/ENGINEERING SUPPLEMENTAL CHECKLIST
Required Attachments: Scope of Services, including location, description of project, services required, deliverables, and other information as required
Risk Management
Will services be performed within 50 feet of CTA train or other railroad property?   __Yes __No
Will services be performed on or near a waterway?   __Yes __No
Pre-Qualification Category No._____   Category Description:_____
For Pre-Qualification Program, attach list of suggested firms to be solicited
Other Agency Concurrence Required: __None __State __Federal __Other (fill in)_____

AVIATION CONSTRUCTION SUPPLEMENTAL CHECKLIST
DOA sign-off for final design documents: __Yes __No
Required Attachments:
Copy of Draft Contract Documents and Detailed Specifications.
Risk Management:
Current Insurance Requirements prepared/approved by Risk Management: Yes___ No___
Will work be performed within 50 feet of CTA or ATS structure or property? Yes___ No___
Will work be performed airside? Yes___ No___

CAPITAL EQUIPMENT (VEHICLES) SUPPLEMENTAL CHECKLIST
Required Attachments:
__ Detailed Specifications including detailed description of the vehicle(s) or equipment, mounted equipment, if any, and options/accessories.
__ Special Provisions (Delivery, Warranty, Manuals, Training, Additional Unit Purchase Options, Bid Submittal Information, etc.)
__ Delivery Location(s)
__ Technical Literature
__ Drawings, if any
__ Part Number List (___Manufacturer; or ___ Dealer; ___ or Other Source: _____)
__ Copy of current Price List(s)/Catalog(s)
__ Form F-10 or other authorization document
__ Any other exhibits and attachments

COMMODITIES SUPPLEMENTAL CHECKLIST
Required attachments:
__Copies of price lists, catalogs, drawings, variations of part numbers
__Any other exhibits or attachments

CONSTRUCTION SUPPLEMENTAL CHECKLIST (LARGE & SMALL)
Required attachments: Copy of Draft (80% Completion)
Copy of Draft (80% Completion) Contract Documents and Detailed Specifications
Risk Management
Will services be performed within 50 feet of CTA train or other railroad property?   __Yes __No
Will services be performed on or near a waterway?   __Yes __No

CP&C PROJECT CHECKLIST

DELEGATE AGENCY SUPPLEMENTAL CHECKLIST
Required attachments:
Attach Scope of Services that includes the following information 1) Program background & objectives; 2) Type of services for which proposals are sought; 3) Location and time line for delivery of services; 4) Qualifications, skills, and/or experience necessary; 5) Special licenses or certifications required; 6) Evaluation process (if known).
Other Attachments (please submit all that apply)
1. Copy of grant application and/or grant agreement
2. Evidence of award authority (DAAC agenda with agency name highlighted; City Council ordinance with agency name highlighted; or OBM letter)
3. Modification information (Copy of Form F-8A; screen print of EPS AWDS table)

Does program require Executive Order 91-1 clearance?	__Yes __No
Is boilerplate from Law available or in production?	__Yes __No
Would your department benefit from technical assistance?	__Yes __No

---

HARDWARE/SOFTWARE SUPPLEMENTAL CHECKLIST
__ITSC (approved by BIS)

__OBM (approved by Budget form/memo)

Attach any documentation indicating any previous purchase activity to assist in the procurement process
__Grant document attached

PROFESSIONAL SERVICES SUPPLEMENTAL CHECKLIST
X Detailed scope of services as described on page 1.
__ The Schedule of Compensation
__ Deliverables
__ Request for individual contract services (if applicable)
__ The appropriate EPS form
* If this is a Telecommunications/Utilities project, please also address the following:

Has the project been reviewed by DGS?   __Yes __No
Attach copy of DGS Recommendation; Reservation(s); or participate under current contract.
Does the project include software?   __Yes __No
        If yes, is signed ITSC form attached?   __Yes __No
Does the location involve:
        A public way?   __Yes __No
        Any concession in the City's facilities?   __Yes __No
Is it anticipated City Council approval of the project or contract will be required? __Yes __No

---

CP**C** PROJECT CHECKLIST

SMALL ORDERS SUPPLEMENTAL CHECKLIST

Yes No

___ ___   1. Special Approval Form/Justification Letter.
           e.g. (Emergency Contract, Telecommunication Back-up documents, Proposals , EPS Form F-10, etc.,).

___ ___   2. Suggested Vendor.

___ ___   3. Commodity Code, Manufacturer, Catalog Information, Model No., Quantity, Unit Cost/Measure, Color etc.,

___ ___   4. Detailed Specification or Scope of Work.

ATTACHMENT REQUIRED FOR EACH SMALL ORDERS PROCUREMENT TYPE
(Check Appropriate Group)

1.   **ONE SHOT (PN)**

YES ( )   NO ( )   Detailed Specifications
YES ( )   NO ( )   Suggested Vendor
YES ( )   NO ( )   Support Documentation

3.   **EMERGENCY CONTRACT**

YES ( )   NO ( )   Justification Letter
YES ( )   NO ( )   Vendor Proposal
YES ( )   NO ( )   Pre-assigned Requisition (RX)

4.   **TELEPHONE/FAX BIDS**

YES ( )   NO ( )   Justification Letter

2.   **SOLE SOURCE REQUIREMENTS**

YES ( )   NO ( )   Vendor Proposal
YES ( )   NO ( )   Disclosure Affidavit
YES ( )   NO ( )   Letter of Exclusive or Unique Capability
YES ( )   NO ( )   Support Documentation from Vendor/Manufacturer.
YES ( )   NO ( )   Signature(s) of Originator or Departmental Head/Designee.

WORK SERVICES & FACILITY MAINTENANCE SUPPLEMENTAL CHECKLIST

Required Attachments: Detailed Specifications (Scope of Services) including detailed description of the work, locations (with supporting detail), user department contacts, work hours/days, laborer/supervisor mix, compensation and price escalation considerations, contract term and extension options, contractor qualifications, citation of any applicable City/State/Federal statutes or regulations, citation of any applicable technical standards and price lists, catalogs, technical drawings and other exhibits and attachments as appropriate.

Risk Management

Will services be performed within 50 feet of CTA train or other railroad property?   __Yes ✓No

Will services be performed on or near a waterway?   __Yes ✓No

Will services require the handling of hazardous/biowaste material?   __Yes ✓No

Will services require the blocking of streets or sidewalks in any way?
        Which may affect public safety?   __Yes ✓No

PAGE: _2_ OF _2_

COMMODITY CODE NO.	ITEM DESCRIPTION	UNIT OF MEASURE	ESTIMATED QUANTITY	LOT SIZE
94633 /	Collection Services /	USD /	1 /	___ /

2ND LINE OF DESCRIPTION: Automated Collection Services

___ /	___ /	___ /	___ /	___ /

2ND LINE OF DESCRIPTION:

___ /	___ /	___ /	___ /	___ /

2ND LINE OF DESCRIPTION:

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___ /	___ /	___ /	___ /	___ /

2ND LINE OF DESCRIPTION:

(ATTACH ADDITIONAL PAGES, AS NECESSARY)

NOTE: ATTACH TO THIS FORM A COPY OF THE DETAILED SPECIFICATIONS, DRAWINGS, CATALOG PAGE OR OTHER DESCRIPTIVE LITERATURE FOR THE ITEMS LISTED ABOVE.

CITY OF CHICAGO
PURCHASE REQUISITION

Copy (Department)

DELIVER TO:	
029-4641 CH 107 121 N. LA SALLE ST. ROOM 107 Chicago, IL 60602	**REQUISITION:** 12364 **PAGE:** 1 **DEPARTMENT:** 29 - DEPARTMENT OF REVENUE **PREPARER:** Mark E Galvan **NEEDED:** 2/27/2004 **APPROVED:** 2/19/2004

REQUISITION DESCRIPTION

New contract request - Automated Collection Services
SPECIFICATION NUMBER: 21325

COMMODITY INFORMATION

LINE	ITEM	QUANTITY	UOM	UNIT COST	TOTAL COST
1	94633 Automated Collection Services	1.00	USD	1.00	1.00

SUGGESTED VENDOR: Pay-Ease, Inc.   REQUESTED BY: Mark E Galvan

DIST	BFY	FUND	COST CTR	APPR	ACCNT	ACTV	PROJECT	RPT CAT	GENRL	FUTR	Dist. Amt.
1	004	0100	0294641	0140	220140	0000	00000000	000000	00000	0000	1.00
										LINE TOTAL:	1.00

REQUISITION TOTAL: 1.00

Where a commodity is for a particular or unique use other than standard quality, grades, color, size or other characteristics, give details of how it will be and for what purpose.
Requisitions prepared incorrectly will be returned to the using department.

EXHIBIT 1

Scope of Services

I. General

The Contractor that the City selects must furnish, install, and maintain all equipment,

including hardware and software (the "System"), at various City of Chicago sites to facilitate payment

by US currency bills, various credit cards, debit cards, personal handwritten checks, money orders, and

certified or cashiers checks. These instruments will be used in the automated collection of payments due

from the public to the City. The kiosks must be able to integrate with a back end system that can be

interfaced with the City's Cashiering system.

The proposal must outline the installation of a network configuration that will integrate multiple

City receivables, making them accessible to citizens from each and every kiosk. The selected network

service provider should have an existing system of hardware, software, data transmission and technical

support in place and operating successfully.

II. Minimum General Requirements and Performance Standards

A. Technological Sophistication

Contractor's Electronic Network must be state-of-the-art and reliable. The Network must process

currency, checks and credit card payment transactions. The System must be virtually paperless,

except for printed receipts, and should require no periodic uploading of data from the City's units,

except for batching out.

B. Configuration, Components, Functions and Service Provisions

An electronic kiosk or "*Automated Teller Machine*" as the customer service/collection device,

must:

1. Be a touch-screen CRT with numeric data entry keypad.

2. Accept bar code scanning of Department of Revenue parking ticket envelopes, and be

able to adapt, in order to accept other City billing forms in the future.

3. Consistently and accurately capture all required bar code and printed customer billing data on payment stubs submitted to the kiosk.

4. Be self-instructional in leading the customer verbally and visually through all steps of the transaction process including entry action/response, error correction (such as discrepancy between amount keyed in and amount inserted), proof of transaction and close out.

5. Be multi-lingual, in English, and selected other languages in its automated presentation visually and aurally, but can be limited to English in printed receipt records given to the customer.

6. Accept and accurately and consistently read and/or capture data from:

    a. US currency bills in $1 to $100 denominations.

    b. Personal hand-written checks, money orders, and certified or cashiers checks

    c. All issuer VISA, MASTERCARD, DISCOVER, AMERICAN EXPRESS credit cards, debit cards. Verification and authorizations must be returned within 5 to a maximum of 15 seconds.

    The kiosk may reject and return currency, checks or cards that are spoiled or unreadable.

7. Accept partial payments in any even dollar amount as determined and instructed by the customer for specified receivables only, to be determined by the City.

8. For electronic check acceptances, if requested by the City, issue a paper payment receipt documenting each transaction. The customer's paper check will be accepted, read and thereafter invalidated for re-deposit, and returned to the customer at the conclusion of each transaction.

C. **Provider kiosk, network and City interface operations must include and provide:**

1. An electronic compatibility and transparent interface between payment kiosks and City's cashiering system now in operation. The City Cashiering System (ReCaps) is proprietary software from Systems Concepts Incorporated (SCI), licensed by the City of Chicago.

2.   Payment transaction data uploaded from the network to City revenue collections system.

3.   ACH files must reconcile and balance against each other and all of the reports mentioned in Section H. An end-of-day batch data file of each days transactions must be electronically transmitted to City accounting systems at appointed times to update all receipt records for each City receivables account.

4.   All kiosk and network service provider systems and integration will be performance and stress tested by the network service provider with City oversight and accepted before any kiosks are brought live for customer use.

5.   All programming and tailoring of the network service provider's kiosk functionality, software and financial systems to conform to and integrate with City financial and accounting systems, software and networks must be clearly defined in the proposal.

D.   Network Service Provider Qualifications

1.   Prior or current successful experience in designing and integrating similar payment collection systems.

2.   Background experience of the provider's Principals and key personnel in financial and collection system design, implementation and maintenance

3.   An established, operating network of collection kiosks in place.

4.   Demonstrated financial and organizational establishment and stability.

5.   Demonstrated capacity to provide public access to the required Payment Collection System.

E.   Installation: Commencement of Operations

Upon award and release of an agreement by the City, Contractor must arrange for the installation of any communication lines and kiosks required, unless the City elects to make such arrangements

on its own.

Kiosks must be deployed and fully operational and available to customers in a secure environment, high customer traffic destination or convenience locations that are open seven days a week.

1. The network service provider must publicly advertise and promote kiosk purpose, availability, locations, and provided as a City service.

2. The network service provider will inform the customer, upon logging into the kiosk, of any fees that will be charged by the vendor and deducted from the customer's payment as a convenience fee

3. The network service provider will frequently and consistently service and maintain kiosks so as to maximize reliability, up time, and customer access, and to minimize customer complaints reflecting negatively on the City's sponsorship of the Payment Collection System

4. Contractor must obtain all necessary permits and approvals that may be required for installation of equipment

5. Contractor will be required to repair or replace equipment, as needed. All scheduled maintenance time should occur after business hours, or in the case of 24-hour sites, during the periods of anticipated lowest activity

F.   Batching Out

The System must not require more than one period of five minutes per terminal within any 24-hour period for batching out. However, the parties may mutually agree at the City's request and for the City's convenience, to batch out more often.

G.   Help Desk

Contractor must maintain a 24-hour help desk to provide needed information or assistance to the City in connection with the operation of the System.

The network services provider should maintain, service and support a toll-free customer hotline phone at each kiosk for complaint and problem resolution.

H.   **Reports**

Contractor must deliver all required reports including ad hoc reports, in a timely manner. One electronically transmitted and one detail paper backup reconciliation report for the payment network will be required for each 24-hour period; also, one master summary reconciliation report of total kiosks receipts activity, electronically transmitted is required for each 24-hour period.

I.   **Availability of Funds/Use of Designated Depository**

Contractor is required to deposit daily all revenues paid by currency, checks, and credit cards only to designated depositories as directed by the City Treasurer less convenience fees charged by the vendor. Funds collected by the network service provider should be transferred from its bank account to City accounts no more than 24 hours after transactions are submitted for processing. Funds collected must be wired to the City, through a designated depository.

Contractor will be liable to the City for all funds collected until received by the City or wired to the City's account in another designated depository, and if any such collected funds are for any reason, unaccounted for, lost, misdirected or otherwise not delivered to the City as required or by law, Contractor must reimburse the City for any such loss.

Treatment of all City funds shall be in accordance with the requirements of the law governing municipal depositories and municipal funds.

J.   **Invoicing**

Contractor must provide documentation detailing the transactions collected by the Contractor, and if any fees are due from the city, an invoice ("Invoice") must be generated documenting detailed service fee.

CONFIDENTIAL

Proposal Submittal

To

The City of Chicago
Department of Revenue

For

Automated Collection of Parking Ticket and Water Bill Payments

REVISED November 3, 2004

Submitted By

Pay-Ease INC

820 Heritage Drive
Mt. Prospect, IL 60056
847-815-4832

Pay-Ease inc

Ms. Bea Reyna-Hickey
Revenue Director, Department of Revenue
The City of Chicago
City Hall
121 N LaSalle St., Suite 107
Chicago, IL 60602

November 3, 2004

Dear Ms. Reyna-Hickey,

Pay-Ease, Inc is pleased to submit this revision to our previous CONFIDENTIAL DRAFT proposal and qualifications dated August 20, 2004 to apply our existing automated, customer self-service kiosk payment collection system to the collection of fees due for Parking Tickets and Water bills for the City of Chicago Department of Revenue.

The Pay-Ease Management Team has thoroughly evaluated and understands the DOR's needs and objectives. In result, we know that the Pay-Ease networked transaction processing system package is a perfect fit with the DOR's business processes and payment collection requirements.

The following material will illustrate, in detail, how Pay-Ease proposes to build and maintain a service contract relationship with the City of Chicago to successfully achieve the DOR's plan to provide broad citizen access to automated, self-service payment collection.

Beyond these first two City payment collection service applications, Pay-Ease anticipates working with the City and the DOR on future opportunities for collection and payment processing of other municipal payment-for-service projects.

Pay-Ease looks forward to your positive evaluation and acceptance of our proposal and the granting of a Contract for this project.

Sincerely,

Dean Scaros
President – Pay-Ease, Inc

CC: John LaRock
        SVP and CFO
        Pay-Ease Inc.

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CONFIDENTIAL DRAFT

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Pay-Ease inc

INTRODUCTION

The Department of Revenue (the "DOR") desires to contract with a provider for the automated collection of parking ticket and water bill payments for the City of Chicago (the "City"). Such payments are to be collected through the use of a system of networked, fully automated self-service kiosks (the "System") that are to be operated and maintained by the provider. The System shall interface with and transmit customer account and payment data as required to the City and payments collected through the network are to be electronically deposited into designated City bank accounts.

Pay-Ease Inc. proposes herein, in summary, to:

1. Provide, install and integrate its existing proprietary payment collection processing system and network with City DOR and financial systems in the furtherance of contracted collection services.
2. Collect, account for and electronically transmit to the City all parking ticket and water payment receipts and records in such form and according to such procedures as the City may require.
3. Provide on-going service and maintenance of its system, related interfaces and multiple points of automated payment collection within, but not limited to, City limits in fulfillment of all of the City's public service requirements and all City contract, service and performance mandates.

We believe this proposal fully responds to the City's needs for this program, as we understand them at this time. *Pay-Ease* is specifically and exactly able to provide all services the City requires for this initiative as a result of directly relevant experience in providing directly comparable services to other municipalities and private sector collector entities and utilities. This proposal details how *Pay-Ease* proposes to do so. The services and technical processes proposed herein are subject to revision and enhancement prior to contract in order to fully satisfy the City's requirements and *Pay-Ease*'s ability to meet them.

The Reasons for *Pay-Ease*

ATMs were the genesis of "self-service" networks. The current market is still similar to the early ATM market when individual banks experimented with stand-alone machines. Bank customers were able to withdraw money from their own bank's machine but not others. Similarly still, certain cellular providers deploy kiosks in their own stores for existing customers to pay only their own cellular bills.

Today, "kiosk" describes any number and variety of public access electronic vending machines, but instead of dispensing gum or soda, these tireless robotic customer service agents are used to facilitate everything from paying utility bills, buying stamps, money orders, license plate stickers and parking permits, event tickets, applying for a loan, and much more. A comprehensive study by Frost & Sullivan, a California research firm that tracks kiosk industry growth trends, states that *"Interactive kiosks are recognized as a legitimate strategy to improve customer service, expand the customer base, reduce labor costs, and provide easy access to a wealth of product and service information."* The report projects industry growth rates through the year 2004 to average 25% - 30% annually.

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Interactive kiosks have penetrated the public and business market consciousness because they are numerous, highly visible, and give service providers another very convenient way to deliver their services to the consumer. Now almost anyone can access their funds or perform some financial transaction via almost any networked ATM terminal, free or for a fee. Reverse the philosophy and apply the "ATM Network" concept to payment acceptance. This is the *Pay-Ease* customer connection.

Currently, fewer than 40% of adult Americans can access the Internet at home or at work. Generally, employees are forbidden to use company Internet access for personal business. Even with the best intentions, many of these and other consumers from time to time have difficulty making monthly payments and meeting due dates. In addition, whether it is utility bills, cellular phones, or rent, insurance or car payments, it is established that consumers and business customers alike are looking for, appreciate, and will use additional and alternative payment/collection options that meet their needs for convenience and simplicity.

Utilities and government have found that, next after mail payment, the highest percentage of customer bill payment is made by walk-in traffic. This historically has been, and is projected to remain consistent at a high percentage in track with escalating immigrant population growth. Internet and other means of payment are still only, and are projected to remain, a small but slowly increasing payment method despite the growing acceptance and proliferation of the home PC and Internet access.

Walk-in customers are predominantly lower income, and are also typically "un-banked", pay in cash, patronize currency exchanges, and prefer to trade with those businesses of their own ethnicity, but do patronize major necessity retail chain stores. Typically, these customers experience more stress in making necessity payments than other bill payers and frequently delay to the last minute in doing so. This makes them one of the most costly and customer service-needy customer segments for most utility and service providers to collect from. Easy and conveniently located payment points can be the key to help reduce customer stress while reducing the cost of payment collection and processing. *Pay-Ease* provides exactly this easy access for these customers to pay their bills

Unlike private sector business, regulated utilities and governments do not compete with each other. They are not risk takers and generally demand proven technology, the same products, and want the assurance that it is already working somewhere else. *Pay-Ease* provides this assurance to all Subscribers with established, tested, operating 20-year mature IT technology and state-of-the-art hardware. Private sector utilities are thus even more comfortable with our product and approach. It is especially significant that key Chicago Subscriber clients, such as ComEd and Peoples Energy, are the innovative initial users of the *Pay-Ease* network. This provides highly respected endorsements and has generated momentum as we pursue other Subscriber and Host companies.

Pay-Ease has implemented a self-service kiosk payment collection and processing solution that embraces and responds to the way people want to conduct their personal business.....easily, simply, conveniently, and accessible 24 hours a day, seven days a week.

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THE COMPANY IN SUMMARY

What Pay-Ease Does

Pay-Ease is a powerful, completely accurate and cost effective electronic third party ATM payment collection and banking services provider distinguished by essential customer convenience components. We provide a complete and fully integrated network solution for collection and processing of customer bill payments by self-service kiosk. We do this by bundling hardware, software, service, security, maintenance, repair, and accounting into one complete package.

- Any **Pay-Ease** Customer can access their accounts to make self-service, real-time full or partial payments for utility, telephone, cellular, cable, rent, insurance, parking ticket and water bills, and other recurring monthly obligations in less than a minute.

- All **Pay-Ease** terminals accept personal checks and cash payments without the need for a deposit envelope. Personal check payments are converted into electronic-debits or "E-Checks" and the Customer's check is given back to them.

- All **Pay-Ease** terminals will be able to accept credit, debit and smart card transactions (subject to regulatory and industry approvals expected in early 2005).

- The **Pay-Ease** PayStation is multi-functional and may also be enabled as a full service ATM for Customer access to traditional banking services including deposits, transfers, check cashing, cash disbursement, and money transfer for any financial institution's participation.

- **Pay-Ease** PayStations can also dispense coupons, tickets, parking permits, vehicle and license plate renewal stickers, forms and other product.

Positive Benefits

- **Faster Receipt and Posting of Customer Payments....** **Pay-Ease** can collect City of Chicago's parking ticket and water bill receivables at customer convenient locations and provide multiple electronic files of the detailed payments to the City for immediate or batch posting to customer accounts.

- **Improved Processing Accuracy....** **Pay-Ease** can significantly reduce Subscriber and DOR clerical workload, error rate, and reconciliation and audit efforts by converting a manual payment collections process into a fully automated electronic process.

- **Enhanced Customer Service and Loyalty....** **Pay-Ease** Subscriber Customer Service is improved by availability of instantly current and accurate customer account information which reduces Customer shut-offs or booting due to delayed payment recognition.

- **Lower Collection Costs....** Subscriber and DOR bill payment collection costs are better managed as the **Pay-Ease** network expands within the city thereby helping the City to

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provide better service while containing cost inflation and holding down other collection-related costs.

These benefits will be easily confirmed once the *Pay-Ease* system and collection process is in place with the City.

Who *Pay-Ease* Serves

We place *Pay-Ease* kiosks in the demographically selected, high traffic necessity and destination grocery and retail stores (Host sites) that our Customers patronize.....we know who our Customers are and where they live and work. *Pay-Ease* kiosks are being installed in these Host sites throughout Chicago, and then nationally as we expand our Subscriber base.

How *Pay-Ease* Works

- *Pay-Ease* requires no ATM card or PIN number to use our system unless paying by credit or debit card.

- The PayStation leads the Customer visually, and verbally in the language they select, to pay only the amount they wish to pay (within DOR business rules) each time they use *Pay-Ease.*

- *Pay-Ease* captures each Customer account number using only the bill payment stub bar code. However, manual account number entry can also be accommodated.

- The Customer then selects the method and amount of their payment. Various options are available, depending on the business rules adopted with our Subscribers, for the payment of a small per-transaction convenience fee for the use of the *Pay-Ease* network.

- The system then transmits a completed Customer transaction record to each Subscriber and to the DOR at least hourly (or instantly if required), during each day for immediate or batch posting to the customer's account.

- *Pay-Ease* electronically transmits daily receivables collection and reconciliation reports to each Subscriber and the DOR.

- *Pay-Ease* collects cash from our PayStation kiosks daily.

- *Pay-Ease* deposits collections by EFT into each Subscriber's and the DOR's designated receivable account(s) 48 hours after collection.

- *Pay-Ease* has put in place all established and federally mandated "Triple DES" encryption, 2005 security controls and firewalls.

- The *Pay-Ease* system is driven by established 20 year-proven technologies through flawless ACH, banking and EFT procedures.

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Pay-Ease Corporate Experience

Pay-Ease management and technical personnel have directly relevant professional and IT systems and network experience and success in performing previous, and existing, service contracts with the City of Chicago, and for the DOR for cashier collection processing. We will bring this same team and expertise to this assignment.

FUNCTIONAL PROPOSAL

TERMS AND OPERATING STANDARDS

1.   Definitions

Agent - Any business or other entity that collects payments on behalf of any Subscriber. The City of Chicago may be an Agent.

Client – This includes any *Pay-Ease* Subscriber, Host, Agent or Sponsor.

Customer – Any user that pays a City parking ticket or water bill at a PayStation or any other user that conducts any other transaction at a PayStation.

Host – Any business or other entity with a physical facility in which a self-service PayStation is placed for use by the general public. A Host is typically a retail store that may be individually owned or part of a chain of stores. The City of Chicago will be a Host.

Parties - *Pay-Ease* and the City of Chicago Department of Revenue, collectively.

Sponsor – Any entity other than *Pay-Ease* that owns Pay-Ease collection terminals but is not a Subscriber, Host or Agent.

Subscriber – Any entity for which *Pay-Ease* collects bill payments of whatever kind or nature, and by any process. The City of Chicago will be a Subscriber.

2.   Payment

A.   Accepted in cash, personal check or any combination of the two. Money Orders, business and cashiers checks and coins are not accepted. Personal check payments are converted into electronic debit transactions that are transmitted via the ACH network according to NACHA regulations. Only even dollar amount cash payments are accepted. Some bills may not be accepted due to poor condition. Currency reading software specifically recognizes current and new issue, redesigned bills and counterfeit bills.

B.   Debit/Credit/smart cards issued by Visa, MasterCard, and Discover will soon be accepted with a PIN number manually entered by the Customer. The interchange fee for acceptance of payment by card will be absorbed or paid by the City.

If DOR business rules prohibit partial or less than full payment of Parking Tickets and Water Bills, the *Pay-Ease* system will accommodate these restrictions.

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3. **Hosting Fees** *Pay-Ease* pays a per-transaction fee to certain private sector kiosk Hosts providing PayStation floor space. The City of Chicago will not receive a Hosting fee for hosting any PayStation terminals in City facilities. However, in the event that PayStations located in City facilities also accept payments on behalf of other Subscribers, the City shall receive a per-transaction Hosting Fee the amount of which will be determined at a later date. Review revenue and cost page.

4. **Site Selection and Terminal Placement** All PayStation collection terminals must be located indoors in customer-friendly, high traffic destination retail or other private or public sector facilities in order to be highly visible and accessible 24/7. *Pay-Ease* employs a proprietary host site selection methodology for PayStation placement in specifically selected retail and other necessity destination locations.

   This site selection process is based on our defined customer demographics. The DOR will work mutually advantageously with *Pay-Ease* in selecting City facility locations that best serve our mutual target Customers and the payment collection objectives of both *Pay-Ease* and the City of Chicago.

5. **Non-Exclusive Relationship** *Pay-Ease* has contracted with, and will continue to contract with and provide payment collection and other automated financial services to any service provider or Subscriber *Pay-Ease* may determine to be in its best interests.

   Further, Customers may pay the bills of any Subscribers *Pay-Ease* may enlist at all collection terminals placed within City facilities. Without specific name reference, such Subscribers may include local and long distance telephone, cable service, cell phone providers, power and gas utilities, insurance companies, virtual and land-based banks and other financial institutions, rental property managers, etc.

THE PAYSTATION/ATM COLLECTION KIOSK

Pay-Ease provides the self-service PayStation ATM kiosk to collect and input payment transactions into our processing system:

PayStation is our premier freestanding customer self-service full banking ATM and bill collection kiosk. This high-volume, indoor standalone machine resides in secure entrance lobbies of retail stores and other venues and requires no attention. This kiosk accepts cash, personal checks – which are converted into electronic debit transactions, and debit/credit/smart cards in payment of Subscriber bills. It can also provide all ATM-related bank financial service functionality, including wire transfers and dispensing of cash from recognized accounts.

PayStation can also issue City vehicle registration, parking permit, state license plate renewal, and other stickers as *Pay-Ease* incorporates these capabilities in response to opportunity.
Typically, PayStations are deployed in metropolitan communities or groups of contiguous zip code communities totaling at least 30,000 households and that meet our Customer demographic standards. PayStations are then placed in high traffic, necessity retail destinations such as major grocery chain stores or centralized municipal government facilities.
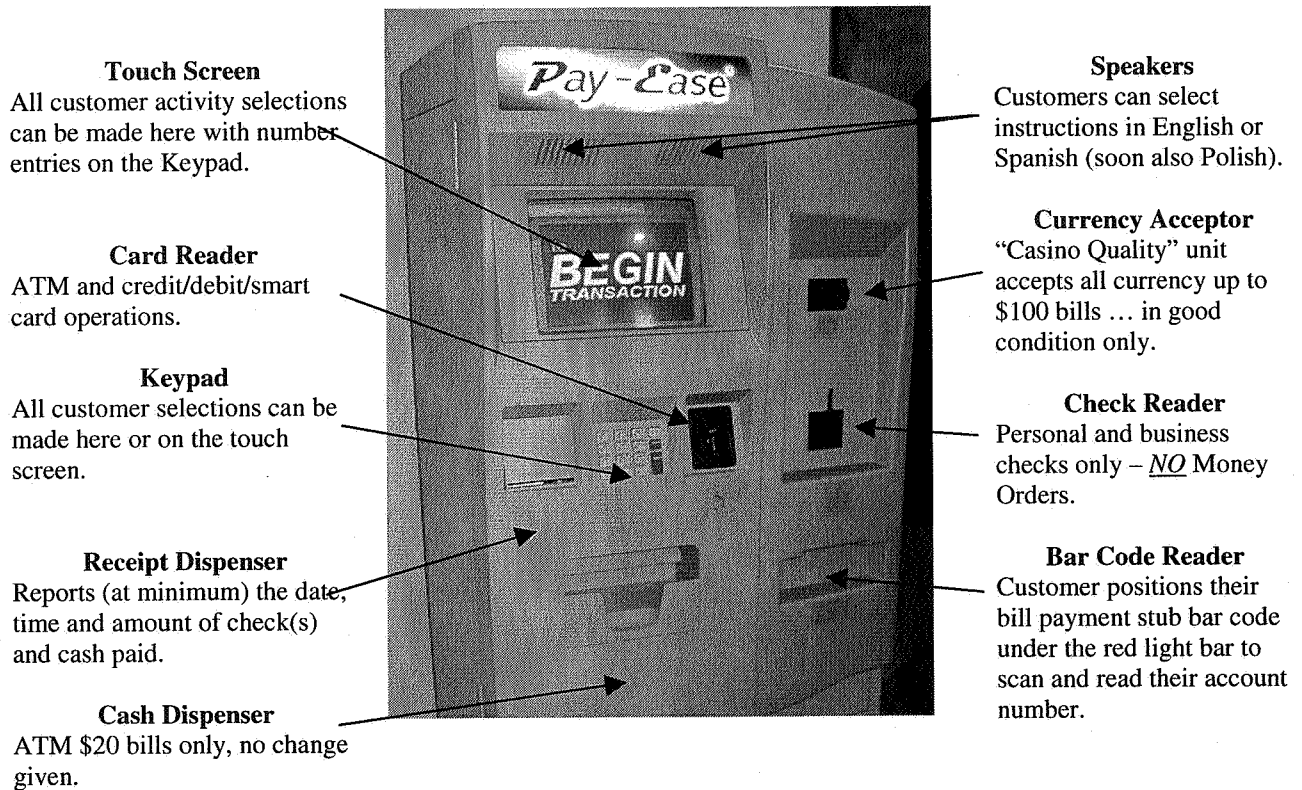
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PAYSTATION ATTRIBUTES

- Esthetically pleasing, ADA compliant design with heavy-duty cash safe and enclosure resistant to vandalism. Access to PayStation for servicing and cash collection functions are separate to insure security from internal theft.

- Our Customer interface is clear, concise and friendly. All PayStation interfaces have been user stress-tested, and are fully fault tolerant. Errors or miss-entries return the Customer to the previous screen to re-select next steps and re-enter correct information.

- Large, easy to read glass touch screen display with a hard numeric keypad below the display for Ticket or Water Bill number, payment amount, PIN and other numerical data entry.

- The kiosks currently support both English and conversational Spanish with on-screen and audio instructions. Other language instructions can also be supported.

- *Pay-Ease* relies on landline hardwire connectivity between our terminals and servers to insure a secure proprietary network. We can enable any terminal for fiber, internet or wireless connectivity.

- All *Pay-Ease* terminals provide a printed receipt for every transaction. Content beyond our standard data can be customized to meet DOR requirements.

- PayStation Customers must scan the bar coded Parking Ticket or Water Bill account number and *Pay-Ease* compares it against a Subscriber or DOR flat file resident within the *Pay-Ease* system to locate the Customer record to achieve a match. When a match occurs, the Customer may proceed with their transaction.

- PayStations currently do not incorporate a Customer Support "hot line" telephone as a part of the kiosk. However, *Pay-Ease* will discuss this as an option, wherein the City absorbs the initial phone line installation and usage charges for terminal installation in City facilities as part of our required Hosting Agreement. This phone:

    A.   Will provide a primary toll free *Pay-Ease* phone number for Customer "Help Access" 24/7. A *Pay-Ease* attendant answers during normal 8/5 business hours.

    B.   Customer requests/problems/questions are recorded in off hours and answered within 12 hours. The ongoing monthly cost of this service will be borne by *Pay-Ease*, Inc

    C.   Can provide a second and third toll free phone number for "Parking Ticket Central" or "Water Department Customer Service". The City will be responsible for all phone toll and City Customer Service costs incurred in this process.

PAYSTATION BASICS

![Pay-Ease Inc logo]

Pay-Ease has been installing our PayStations in our Chicago market since March 2002. These full-service, multi-functional ATMs allow our customers to pay their bills by cash and/or personal checks and credit/debit cards. This ATM style PayStation can be easily tailored to perform all traditional ATM banking services and dispense cash and special products as well. The following is a brief overview of the *Pay-Ease* payment processing features and our PayStation functions.

Touch Screen
All customer activity selections can be made here with number entries on the Keypad.

Card Reader
ATM and credit/debit/smart card operations.

Keypad
All customer selections can be made here or on the touch screen.

Receipt Dispenser
Reports (at minimum) the date, time and amount of check(s) and cash paid.

Cash Dispenser
ATM $20 bills only, no change given.

Speakers
Customers can select instructions in English or Spanish (soon also Polish).

Currency Acceptor
"Casino Quality" unit accepts all currency up to $100 bills ... in good condition only.

Check Reader
Personal and business checks only – *NO* Money Orders.

Bar Code Reader
Customer positions their bill payment stub bar code under the red light bar to scan and read their account number.

Making a Payment:
1. The Customer must have their bill payment stub or their account number with them to use PayStation
2. Customers must make a separate payment for each account.
3. PayStation does not give any change.
4. To begin making a payment, the Customer can select instructions in either ENGLISH or SPANISH on the PayStation touch screen. (Soon Polish instructions will also be available.)
5. The Customer then selects the payee they wish to pay to on the touch screen, and then scans the bar code from their bill stub under the bar code reader.
6. A Customer can then choose to make a payment in cash. The Customer inserts their currency into the cash acceptor and presses the DONE button on the touch screen when they have finished entering all their currency. They are then given a receipt for their payment.
7. A Customer can choose to make a payment using one or more personal checks that are accepted and processed as electronic payments or "E-checks".

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a. Banking rules do not allow *Pay-Ease* to accept money orders, business or courtesy checks such as those issued by credit card companies.

b. The Customer enters the amount of their check (*including cents*) on the key pad and inserts their check into the PayStation check reader

c. The amount of the check the Customer enters on the keypad is the amount that will be electronically deducted from their bank account.

d. Checks are electronically deducted immediately from the Customer's bank account and will appear on their bank statement as an "ACH Withdrawal – Pay-Ease" on the date of their payment.

e. After the Customer's check is read it is returned to them for their files.

f. If the amount due is known and the amount of the check is <u>less</u> than the amount due, the Customer will be asked if they have another check.

- ❑ If they press YES, the Customer is asked to repeat the previous steps until the total amount of all checks entered equals or exceeds the total amount due, plus the $1.50 Convenience Fee, or they indicate they do not have another check.
- ❑ If they press NO, the Customer will be given a receipt for their payment.

g. Depending on the implemented business rules of the Subscriber, if the amount of the check is equal to or greater than the amount due, the Customer may not be allowed to enter another check and they will be given a receipt for their payment.

8. A Customer can make a payment using a combination of both check(s) and cash. The Customer is guided through the previous check payment sequence and then the cash payment sequence.

9. Based on established business rules with each Subscriber, a Subscriber may be notified of a Customer's payment in as little as 1 hour from the time of the payment.

10. Based on established business rules with each Subscriber, the Customer's account may be credited for the amount of their payment by the end of the next business day.

11. If the Customer has a question regarding their payment or a problem with the PayStation they are instructed to call the *Pay-Ease* Customer Support Line at 1-866-PAYSTATION (1-866-729-7828).

PAYSTATION HOST LOCATIONS

As of the date of this proposal, PayStations have been placed into operation at the following locations:

	Address	Store No.	Zip
Dominick's	122 W. 79th Street, Chicago	4111	60620
	2101 E. 71st Street, Chicago	1130	60649
	2550 N. Clybourn Ave, Chicago	2304	60614
	3350 N. Western Ave, Chicago	1086	60618
Tony's Finer Foods	3607 W. Fullerton, Chicago	N/A	60647
	4608 W. Belmont, Chicago	N/A	60641
	2500 N. Central, Chicago	N/A	60639
Total Current Host Locations		7	

The Company has also identified, with the help of our current and prospective Hosts, additional PayStation locations. These locations, which are listed in the order of priority for deployment, are subject to change.

	Address	Store No.	Zip
Dominick's	424 W. Division, Chicago	2153	60610
	259 W. Lake St., Oak Park	1124	60302
	3145 S. Ashland, Chicago	1100	60608
	1340 S. Canal, Chicago	1147	60607
	3240 W. Roosevelt, Chicago	1699	60612
	1763 W. Howard, Chicago	1698	60626
Tony's Finer Foods	4137 N. Elston, Chicago	N/A	60630
Jewel	1220 S. Ashland Avenue, Chicago	3344	60608
	7530 S. Stony Island, Chicago	120	60649
	87 W. 87th St., Chicago	372	60620
	5516 N. Clark St., Chicago	74	60640
	9400 S. Ashland, Chicago	16	60620
	1710 N. Kostner, Chicago	371	60639
	5343 N. Broadway, Chicago	97	60640
	3400 N. Western, Chicago	3501	60618
	3570 N. Elston, Chicago	201	60618
	4250 N. Lincoln, Chicago	144	60618
	3033 S. Halsted, Chicago	90	60608
	3644 S. Archer, Chicago	141	60608
	3940 E. 106th St., Chicago	123	60617
	1655 E. 95th St., Chicago	315	60617
	443 E. 34th St., Chicago	65	60616
	6057 S. Western, Chicago	49	60636
	3120 N. Pulaski, Chicago	175	60641
	4660 W. Irving Park Rd., Chicago	369	60641
	5129 W. Belmont, Chicago	194	60641
	4042 W. Foster, Chicago	335	60630
	4729 N. Central, Chicago	263	60630
	6430 W. Irving Park Rd., Chicago	380	60634
	6505 W. Diversey, Chicago	375	60634
	4355 N. Sheridan Rd., Chicago	71	60613
	3630 N. Southport, Chicago	12	60613
	2940 N. Ashland, Chicago	39	60657
	3531 N. Broadway, Chicago	184	60657

Total Next Locations   **34**

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11/9/2004

SYSTEM PROCESSES AND OPERATIONS

SOFTWARE

The *Pay-Ease* transaction processing system software is proprietary and owned by the Company. It was designed and built by System Concepts and is based on the ReCaps application used by the DOR for payment collection processing. Our software is designed to communicate with Subscribers by batch processing or online, making it flexible and easily scalable to well in excess of 5,000,000 payment transactions.

The software incorporates internal security and constantly monitored firewall-secured servers that are closed to the internet. *Pay-Ease* also provides secure website access for each Subscriber to allow only authorized personnel to query Customer transaction records and history within one hour of a transaction's completion at any PayStation.

Pay-Ease guarantees that any future software enhancements, upgrades, patches etc. that are installed will not detrimentally affect existing installed interfaces with City or DOR systems. Such enhancements, upgrades, patches etc. shall be implemented under the terms and conditions of an annual support and maintenance agreement executed between the parties using industry standard processes and standards.
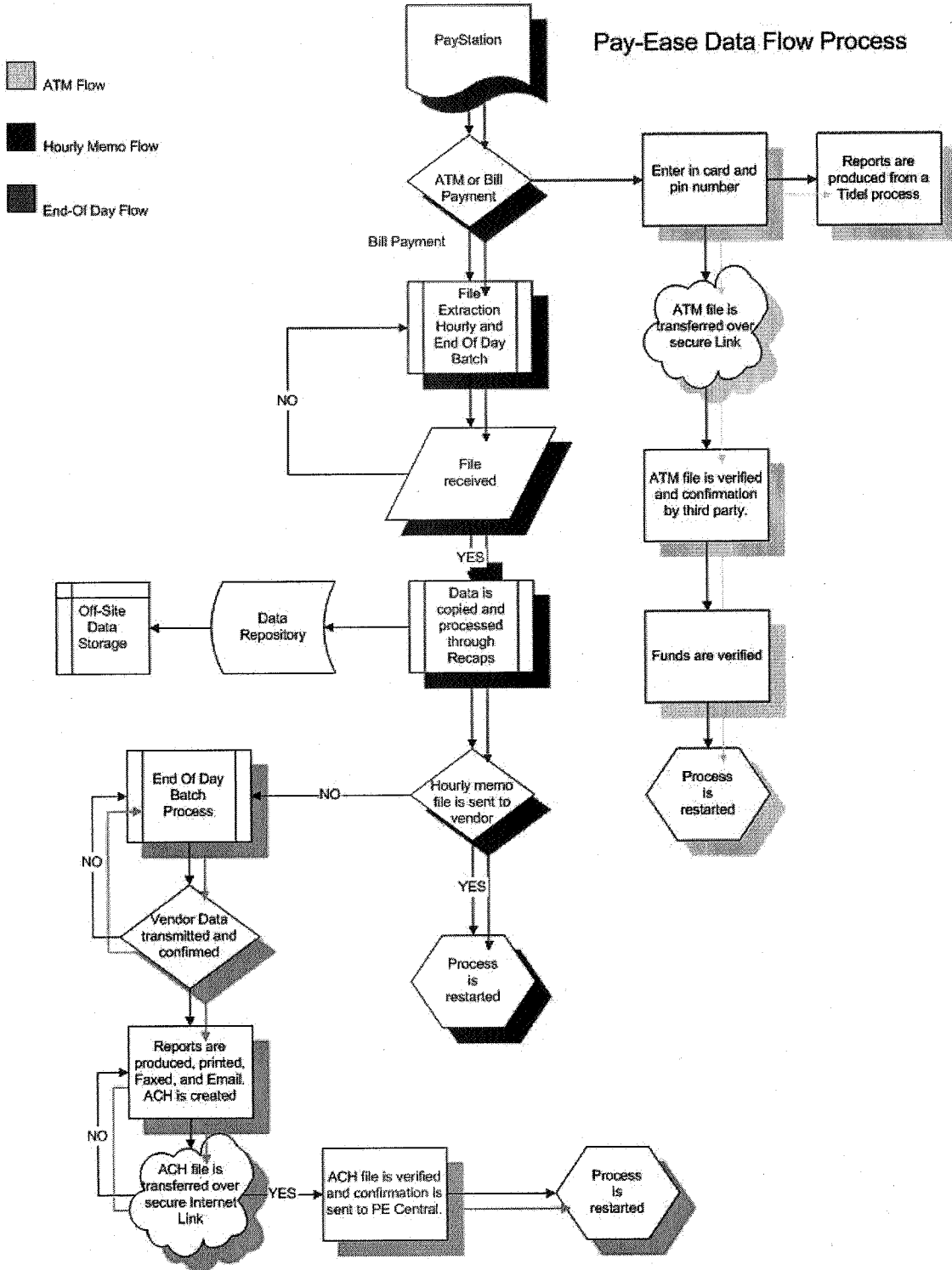
SYSTEM TRANSACTION PROCESSING AND FLOW

The diagrams on the next two pages illustrate the flow of data as generally outlined herein and involved in transaction processing. Additional detail regarding customization of processes and integration with DOR processes will be provided during the System Installation and Integration phase of the project.

Payment receipts are collected by armored service subcontractors and deposited into a designated bank account. Generally, funds due to Subscribers are then electronically transferred for deposit by EFT 24 hours later into designated Subscriber's bank account(s) according to each Client Subscriber's unique business rules. *Pay-Ease* agrees to deposit all funds collected on behalf of the City into a designated City-owned bank account.

Data Flow Process

Pay-Ease Data Flow Process

Legend:
- ATM Flow
- Hourly Memo Flow
- End-Of Day Flow

PayStation

ATM or Bill Payment

Bill Payment

File Extraction Hourly and End Of Day Batch

NO

File received

YES

Off-Site Data Storage ← Data Repository ← Data is copied and processed through Recaps

End Of Day Batch Process

NO

Hourly memo file is sent to vendor

NO

Vendor Data transmitted and confirmed

YES

Process is restarted

Reports are produced, printed, Faxed, and Email. ACH is created

NO

ACH file is transferred over secure Internet Link

YES

ACH file is verified and confirmation is sent to PE Central.

Process is restarted

Enter in card and pin number → Reports are produced from a Tidel process

ATM file is transferred over secure Link

ATM file is verified and confirmation by third party.

Funds are verified

Process is restarted

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NETWORK ARCHITECTURE AND FUNCTIONALITY

The diagram below shows the architecture of *Pay-Ease*'s patented, licensed and proprietary technology. Our Software:

- Automatically gathers detailed payment information via Host-dependent communication links throughout the day from each PayStation on our network.
- Combines information from all PayStations and communicates all transactions that have been accepted at each PayStation throughout each business day to Subscribers based on agreed business rules. We provide a summary of all transactions and adjustments, if any, processed for each business day to each Subscriber.
- Monitors the performance and status of each PayStation throughout the day and alerts system oversight staff to dispatch field service personnel in the event of a problem or malfunction.

Pay-Ease proprietary software and transaction processes enable seamless collection and transmission of detailed Customer payment information.

Pay-Ease INC
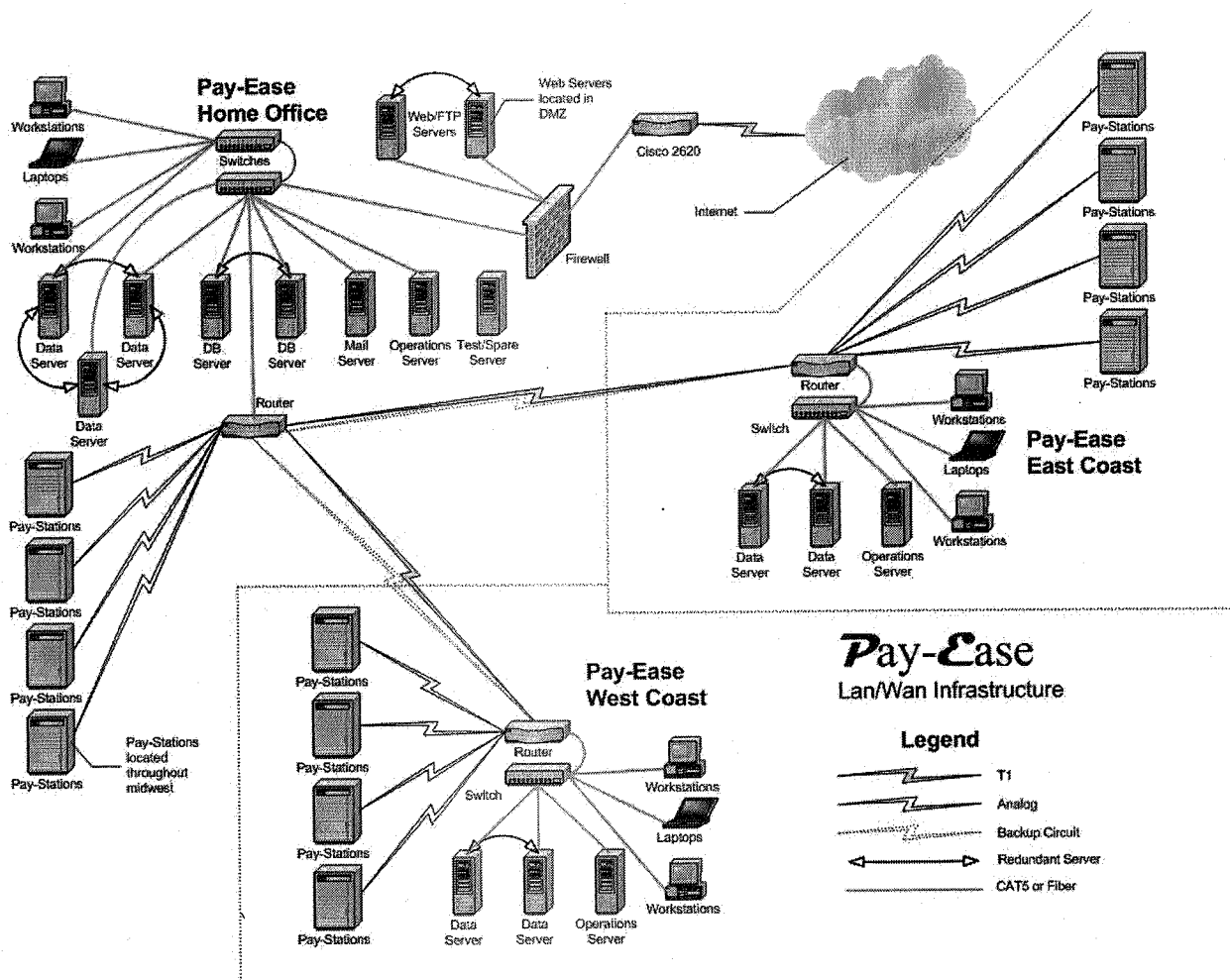
REPORTS

The following reports are routinely generated by the **Pay-Ease** system and transmitted intermittently, as scheduled, to Subscribers, including the DOR:

- Reconciliation Summary
- ReCaps Detail Report
- Adjustment Report
- Returned Check Report

These reports may be tailored, within reason, to meet DOR requirements. The DOR may choose to view and use in any way, any report sent to the DOR in electronic form, or to then print it in hard copy or transmit it to suit its needs after it receives them.

PARKING TICKET PAYMENT COLLECTION PROCESS

- The Customer touches the PayStation screen to initiate a transaction. PayStation immediately asks the Customer what action they wish to take. When the Customer first touches "Pay a Bill", then "Pay a Parking Ticket",

- If the Customer has a bar coded Parking Ticket they then must physically scan the Ticket bar code number under the PayStation laser scanner when prompted to do so. PayStation will then attempt to match that scanned number against the DOR flat file of open Tickets now resident in the **Pay-Ease** database. The PayStation touch screen will then display the Ticket Number and Infraction Date, License Plate State and Plate Number, and Amount Due for that Ticket (not necessarily in this order).

- If the Customer does not have a bar coded Parking Ticket, PayStation will prompt them to enter **either:**

  1.) **The Ticket Number**
  When the Customer chooses to manually enter a Ticket Number the system will then attempt to match it with our resident DOR flat file of outstanding Tickets to obtain the relevant Ticket data. The PayStation touch screen will then show the Customer the Ticket Number and Infraction Date, License Plate State and Plate Number, and Amount Due for that Ticket (not necessarily in this order). The Customer must confirm agreement that the information is correct or agreed to by touching "NEXT" if correct, or "CANCEL" if incorrect. If NEXT is selected, they will then be directed to pay that specific Parking Ticket per standard payment procedures.

  OR

  2.) **State/Plate Information**
  When the Customer makes this choice on the touch screen they are prompted to manually enter first, the **License Plate State** (two-character alpha designation) and then the **Vehicle License Plate Number** (alphanumeric). The system will then attempt to match that data with our resident DOR flat file of outstanding Tickets to obtain the relevant Ticket data. The PayStation touch screen will then show the Customer the

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Ticket Number and Infraction Date, License Plate State and Plate Number, and Amount Due for that Ticket (not necessarily in that order). The Customer must confirm agreement that the information is correct by touching "NEXT" if correct or "CANCEL" if incorrect. If NEXT is selected, they will then be directed to pay that specific Parking Ticket per standard payment procedures.

When the payment transaction is successfully completed and verified as cleared, PayStation will visually display payment confirmation and print a Customer receipt containing:

At a minimum:
o Payment Date
o Ticket Payment Amount
o Total Amount Paid
o Ticket Number

Optional data:
o City Transaction/Verification/Audit Number
o Payment Method and Amount paid by each

NOTE: Each Ticket payment is a separate transaction. The Convenience Fee will be charged for **EACH payment** transaction successfully completed.

The Customer is then returned to the main screen menu to initiate any other transaction, whether another Ticket payment, any other bill payment or available financial transaction.

WATER BILL PAYMENT COLLECTION PROCESS

- The Customer touches the PayStation screen to initiate a transaction. PayStation immediately asks the Customer what action they wish to take. When the Customer first touches "Pay a Bill", then "Pay a Water Bill",

- If the Customer has a bar coded Water Bill payment stub they then must physically scan the bar code under the PayStation laser scanner when prompted to do so. PayStation will then attempt to match that scanned number against the DOR flat file of open Water Bill account numbers now resident in the *Pay-Ease* database. The PayStation touch screen will then show the Customer the bill amount due, and the Customer can then commence to pay that specific Water Bill by standard *Pay-Ease* procedures.

- If the Customer does not have a bar coded Water Bill payment stub PayStation will prompt them to manually enter their Water Bill account number (account numbers cannot be accessed by name or address). The system will attempt to match it with our resident DOR flat file of outstanding Water Bills to obtain the relevant data. The kiosk touch screen will then show the Customer the amount due for the oldest Water Bill on record in our file as unpaid. The Customer can then proceed per standard payment procedures to pay that specific Water Bill.

Otherwise, the customer experience with the PayStation is consistent with the standard payment process detailed previously.

When the payment transaction is successfully completed and verified as cleared, the kiosk will visually display payment confirmation and print a Customer receipt containing:

At a minimum:
o   Payment Date
o   Water Bill Payment Amount
o   Total Amount Paid
o   Water Bill Account Number

Optional data:
o   City Transaction/Verification/Audit Number
o   Payment Method and Amount paid by each

NOTE: Each Water Bill payment is a separate transaction.

The Customer is then returned to the main PayStation touch screen menu to initiate any other transaction, whether another Water Bill payment, or any other bill payment or available financial transaction.

SERVICE FEE PROPOSAL

TRANSACTION FEE

Pay-Ease proposes to accept City of Chicago Parking ticket as well as Water bill payments at the existing seven (7) locations that currently host its PayStation network in Chicago as referenced herein. In addition, the City will derive additional benefit as *Pay-Ease* uses its distribution channel to expand its network (expanded network) to other locations where City payments can also be accepted. *Pay-Ease* agrees to service and maintain the kiosk network as outlined herein and further specifies that all City transactions accepted via the expanded network shall be subject to the terms and conditions of this Agreement unless otherwise agreed to in writing by the Parties. The following cost structure for acceptance of City payments is a direct cost to the City and shall be invoiced directly to or paid, as the case may be, by the City on a monthly basis:

Per-payment transaction fee: $0.48
(applies to all payment transactions)

Per-item electronic debit (check) processing fee: $0.12
(applies to **ALL** electronic debit transactions)

Credit card fee: City of Chicago processing fee with carrier
(subject to regulatory/industry approvals)

Debit card fee: TBD

City of Chicago Revenue opportunity

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Pay-Ease inc

The city of Chicago will be entitled to a host fee on all Non-City of Chicago bill payments that are collected on Payment kiosks that reside on the City property in payment centers or other designated high traffic areas.

Potential revenue stream

Pay-Ease currently has contract with

       ComEd
       Peoples Energy
       SBC

A fee of $.10 per transaction will be designated to the City of Chicago

Prepaid Cell load.
       Transaction revenue for the City of Chicago can range from 10%-30% of the prepaid load fee. Depending on Carrier.

Debit card loads/ Card to Card transfers.
       Fees range from $.10 per transaction to $.50 per transaction depending on carrier and amount transferred. Note: The revenue in this area may increase in the future. Pay-Ease is in current nogotions with Western Union and other major wire transfer companies.

ATM revenue

Pay-Ease machines can be an ATM in addition to pay stations. The ATM revenue can be generated by having the City of Chicago ATM contractor host their platform on the Pay-Ease machines.(Thus current contract can be applied) Or Pay-Ease can host the City of Chicago on its ATM platform and will participate on that revenue stream.

Fee ranges from $.25 per transaction to $.75. Depending on contract negotiations.

All machines will have Monitors on the top of the Pay station. Advertising can be licensed out or the City of Chicago can offer their own information service video streams. Revenue dollars derived from these monitors can be shared equally with the City of Chicago.

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BANK-RELATED FEES

In addition to the above per-transaction fees, the City shall be responsible for all bank charges and fees related to the deposit of customer payments into a City-owned bank account and any related charge-backs, reversals and returned items resulting from any payment method accepted at a PayStation for City payments. The City agrees to establish a bank account at a financial institution designated by *Pay-Ease* to facilitate daily operations.

RETURNED ITEM PROCESS

Under this proposal the City shall be responsible for the processing of all returned items received on behalf of its customers in order to effect appropriate adjustments to their individual accounts and take appropriate collections and credit action.

In order to more effectively manage and control the costs associated with returned items (returned or rejected electronic debits or other payments) from customer bank accounts, *Pay-Ease* agrees to work with the City to implement a process to identify and reject suspect payments through a check verification routine and require cash only payments for transactions from such identified City customers. If this process is to be accomplished through the use of a "negative file," the City shall provide such a file with periodic updates to *Pay-Ease*. If such a process is to be accomplished through the services of a commercial service bureau, the City shall be responsible for all costs associated the use of the service bureau. *Pay-Ease* agrees to re-present customer returned items for collection on behalf of the City based on business rules established with the City. Any additional processing cost, if any, charged to *Pay-Ease* by its financial institution as a result of the re-presentment of a returned item shall be reimbursed to *Pay-Ease* by the City.

OTHER EXPENSES, COSTS AND FEES

Each Party shall bear all of its own expenses incurred in connection with the preparation and negotiation of this Proposal and all related successor documents, agreements, or other documentation. *Pay-Ease* will be responsible for all expenses associated with the operation and maintenance of its network.

Under this proposal the City shall be responsible for the following costs where PayStations are located on City-owned or leased premises:
   a) Installation costs for providing required power, communications and security needs at selected City locations

SYSTEM INSTALLATION AND INTEGRATION

Pay-Ease will assign a Project Manager for the duration of the contract and extensions. This person will direct the work of the project and *Pay-Ease* deliverables, and will have full authority to act day-to-day on our behalf to comply with City and DOR and contract requirements.

The DOR will likewise assign a Project Manager for the duration of the implementation process. This person will be responsible for coordination of all DOR and City entities involved in delivering the City's integration responsibilities. After implementation and acceptance, the DOR

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will assign a liaison fully familiar with the contract and project history to manage the **Pay-Ease** /DOR service and maintenance relationship.

Pay-Ease will design, modify, test and implement all necessary software internal to **Pay-Ease**, and the interfaces between our transaction processes and the City's ticketing and billing processes and ReCaps, including tailoring of standard **Pay-Ease** reports to DOR requirements.

We will estimate our time and expense pending full definition of functional and technical requirements as the first step.

The City will be responsible for any system or network changes internal to the DOR in order to achieve communications and processing compatibility with **Pay-Ease** systems and network.

Any further development to enable on-line interactive communications versus batch flat file transfer between **Pay-Ease** collection terminals, processing systems and network, and City systems, networks and databases needs be defined and approved by City of Chicago during the development of this project.

SYSTEM SUPPORT AND MAINTENANCE

Pay-Ease will provide the DOR with the necessary support to meet all agreed service level requirements in regard to the payment collection, reconciliation and remittance process including all accounting and reconciliation services with the City We will also provide, during normal business hours, Customer Support at the following service levels:

- Secure online access via a web-based transaction lookup capability allowing the DOR to verify a payment within one hour of its being made.
- Response within 1 business day for all DOR reconciliation and remittance questions and issues.
- Response within 2 business days for all Customer disputes inquiries or disputes.
- All other requests and issues as determined necessary.

Our software and systems are hardened with redundant server operations. We will be pleased to demonstrate a system crash and our back-up and recovery response, on site in Chicago.

Pay-Ease will support our interface(s) with City and DOR systems as follows:

- **Severity One** – System down: Return call within 1 hour, resolution within 4 hours.
- **Severity Two** – Significant errors: Return call within 4 hours, resolution within 8 hours.
- **Severity Three** – Unresolved or undefined errors: Return call within 8 hours, resolution within 24 hours.

Pay-Ease will provide full documentation and DOR System Manager training in the operation and maintenance of our network data transmission and reporting processes and interfaces with DOR systems, both during and through integration and date of acceptance. **Pay-Ease** will then provide system support and maintenance for the duration of each term.

PAYSTATION MAINTENANCE AND SERVICE

Under the terms of this proposal *Pay-Ease* will be responsible for all expenses associated with the installation, operation, maintenance and support of the kiosks covered under the terms and conditions of this Proposal and as may be further specified in subsequent, signed documents including, among other possible items:

1. Required courier services for the deposit of customer payments
2. Required Kiosk supplies
3. Applicable software licensing fees
4. Kiosk maintenance fees
5. All required insurance and bonding fees (commercial, liability, theft etc.)

Pay-Ease will service each PayStation under the following circumstances:

A. **Daily** – For those kiosks proving consistently high transaction volume history and trend, *Pay-Ease* will remove receipts and provide routine maintenance to insure reasonable Customer availability and "up-time".

B. **Periodic** – For those kiosks proving consistently low transaction volume history and trend, *Pay-Ease* will remove receipts and provide routine maintenance and service Monday, Thursday and Saturday to insure reasonable Customer availability and "up-time".

C. **Emergency** – Upon electronic notice of malfunction by a specific kiosk automatically sent to the *Pay-Ease* network center, or by phone notice to **886-PAYSTATION**, *Pay-Ease* will dispatch a technician to achieve corrective repairs within 6 hours of notice recorded on the Activity Log.

D. **Method** – *Pay-Ease* selects and contracts with licensed and bonded armored car services for kiosk receipt pickups and routine servicing and deposits to the regional bank(s) of *Pay-Ease*'s choice.

Pay-Ease **will provide Daily and Periodic service and maintenance and Emergency service calls within 6 hours during normal business hours at no cost to the Host, Agent or the City if** *Pay-Ease* **owns the terminal.**

PROPOSED CITY OF CHICAGO ADVERTISING PLAN

Pay-Ease will advertise and promote our service relationship with the City of Chicago and the opportunity for Chicago citizens to pay all such City obligations as *Pay-Ease* may be contracted to collect on the City's behalf from time to time. In this regard, *Pay-Ease* will be permitted to advertise and promote the City as a Sponsor and Subscriber using the City Seal, and naming those Subscriber Departments served.

Pay-Ease will also advertise other Subscriber service relationships using any advertising and media as the Company may select. *Pay-Ease* may enter into agreements with multiple Subscribers for them to provide advertising of the opportunity for their Customers to use PayStation payment collection kiosks.

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![Pay-Ease Inc logo]

The City of Chicago has the established resources, programs and opportunities to advertise and promote PayStation and to encourage citizens to pay parking ticket and water bills (as well as future contracted payment opportunities) at PayStations, wherever located within City limits. Suggestions of such advertising and promotion include, but are not limited to:

- **Transit Advertising** – Comparable to *Pay-Ease*'s program described above.

- **Mailing Inserts** – Giving notice of citizen ability to pay Parking Tickets and Water Bills at PayStations. Inserted along with water bills and other notices mailed by all City Departments, where appropriate.

- **Sponsorships** – Inclusion of *Pay-Ease* PayStation in City-issued notices and promotions of civic events across all Departments where other private sector sponsors also participate.

- **City Website** – Inclusion of the *Pay-Ease* PayStation bill payment opportunity in the main site directory, and in multiple internal links to participating Department Subscribers, the Mayor's Office and other sites.

- **Parking Tickets and Water Bills** – A notice printed boldly on Tickets and Water Bills encouraging citizens to use PayStations at convenient payment locations.

- **Public Announcements** – Mention of the PayStation payment opportunity in City-issued stories and press releases to newspaper and TV relevant to City bill payment collection, convenience initiatives, and other citizen service enhancements.

- **Media Mention** – Mention and promotion of PayStation service convenience and PayStation in City public service radio and TV spots, and on talk shows where City officials appear to discuss issues and answers.

- **Aldermanic Promotion** – Promotion of the PayStation payment convenience opportunity by Alderman in their newsletters, public appearances and service initiative notices, announcements and constituent mailings.

The DOR has the potential to electronically collect, through *Pay-Ease* as a third party outsource, a significant number of parking ticket and water bill payments at less cost, at greater efficiency, and at zero error than current processes. In that light, the City of Chicago will derive significant financial benefit by aggressively advertising and promoting the PayStation bill payment collection opportunity and benefit to its citizens.

Pay-Ease strongly recommends that the City implement the suggested advertising and promotion initiatives, and others, at a high level of breadth and frequency for at least the first full year of the contract in order to jump-start citizen awareness and participation. Once PayStation is established as a recognized City payment vehicle, City advertising can be reduced to a constant "awareness and reminder" campaign level.

CORPORATE ORGANIZATION

Corporate Structure
The Company is an Illinois corporation registered as Pay-Ease, Inc.

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Company Employees

The Company currently has five (6) employees.

Board of Directors

The founder, certain officer(s) and others comprise the Corporate Board of Directors:

<u>Name</u>

Dean Scaros	President and CEO
John LaRock	SVP, CFO
Buck Pohollman	Senior Financial advisor

Company Management Team

The founder and current executive officers and key employees of the Company are:

<u>Name</u>	<u>Position</u>
Dean Scaros	Founder, President and Chief Executive Officer
John LaRock	Senior VP, Chief Financial Officer
Bill Kennedy	Chief Operations Officer

Management Team Profiles

<u>**Dean Scaros, President and CEO**</u> — As the executive founder of *Pay-Ease*, Mr. Scaros is the driving force behind the Company's business model. He directs the management team, and establishes company strategy, systems development and implementation policy. His financial focus is to solidify capital investment in order to achieve the Company's long-term business plan.

Dean has been engaged in the software development industry since 1982 when he designed and marketed one of the first accounting software packages using the Microsoft DOS system under the Silver Plus accounting software title. After selling the software to Boise Cascade, Silver Plus became the first accounting product enabling office product dealers to order their inventory online, directly from vendors. In 1986, Dean founded Restaurant Software Solutions and developed and marketed time and attendance software to the Restaurant industry.

Prior to founding *Pay-Ease*, Dean was responsible for designing and implementing the largest municipal Cashiering Collection System in the country collecting over $4.7 billion in annual revenues for the City of Chicago's Department of Revenue. As a Director and Vice President of a large Chicago system integration company at that time, Dean gained significant experience and solidified his reputation for delivering strong and successful IT solutions to his customers.

<u>**John J. LaRock - CPA, Sr.V.P. and Chief Financial Officer**</u> – Prior to joining *Pay-Ease* Mr. LaRock's professional experience spanned a 32-year career at Commonwealth Edison Company. He was progressively responsible for accounting-related activities including treasury lockbox operations, financial applications implementation and support, capital asset management, external financial reporting, and other financial management initiatives. John has management-recognized achievements in corporate process improvement and the implementation of large-scale technology-based solutions that reduced staffing levels and lowered costs while improving service levels and customer satisfaction. In addition to his overall knowledge and experience with

large utility accounting and customer payment operations, and his familiarity with customer relations management, his most note-worthy experience was the conversion of a "read and key" lockbox operation processing approximately 2 million customer payments per month to ComEd's new state-of-the-art image-based system.

Education
MBA, Finance, DePaul University, Chicago, Illinois
BA, Accounting, Illinois Benedictine College, Lisle, Illinois
CPA, Illinois, 1980

William J Kennedy, Chief Operations Officer – Bill has more than twenty years experience in computer systems and network engineering encompassing design, administration and end user support of mainframe, midsize and PC-based systems including high speed LAN/WAN and wireless communication technology.

Professional Experience

INTERNATIONAL BUSINESS MACHINES EDISON, Chicago, Illinois 1983 to 1995
    Account Marketing Representative
    Identified and designed IBM computer solutions and upgrades for such accounts as McDonalds, Montgomery Ward, Ace Hardware, Sears, True Value, ServiceMaster, and Dominick's Finer Foods. Provided technical resources on all non-IBM platforms and built business through ongoing consultative sales of hardware, software and maintenance/support services.

VANSTAR CORPORATION, Wood Dale, Illinois 1996 to 1997
    Advisory Engineer
    As High End Network Product Sales Specialist, provided high-end primary engineering support in the field for software and hardware for Super Servers, LANs, WANs, bridges, routers, and networking systems.

WJK TECHNOLOGIES, Merrionette Park, Illinois 1995 to 2001
    Business Development Engineer/ Senior Sales Engineer
    Responsible for customizing high-level data warehousing, data mining, decision support and forecasting solutions with global impact for Fortune 500 companies. Conducted system demonstrations at chief executive levels and served as vendor liaison for design/installation projects. Made custom presentations incorporating network design/redesign and administration; software, hardware and peripherals; installation (Cat-5 cabling, workstations); engineering outsourcing; user documentation. Developed and wrote promotional materials for this new target market and helped to introduce Minolta's then new "Network Solutions" services to business markets.

Education
BSEE, University of Illinois, Chicago, Illinois

CORPORATE PARTNERS

Kiosk Hardware and Associated Software

Tidel Technologies, Inc. Kiosk Specialists

Tidel Engineering, LP, a subsidiary of Tidel Technologies, Inc., is a Texas-based manufacturer of

ATMs and cash security equipment for specialty retail marketers. Tidel began in 1977 as part of the Southland Corporation (now known as 7-Eleven, Inc.) by inventing a robbery deterrent product that has become a standard for retail store operators everywhere - the Timed Access Cash Controller (TACC). This product remains the centerpiece of their manufacturing operation and today there are over 150,000 TACCs working in retail locations throughout the world. Today Tidel is a world leader in security products and systems, self-service transaction systems, and customer service.

In 1992, Tidel made history by introducing dial-up ATM technology to the commercial marketplace. Since then, they have focused on setting the standard for low-cost, high-reliability ATM performance. Having sold more than 190,000 Cash Controllers and ATMs in 38 countries, Tidel has grown to be one of the largest manufacturers of cash and cash-value dispensing equipment and off-premise ATMs and Cash Controllers in the world.

Pay-Ease has partnered with Tidel for the custom design and production of their Chameleon model built to our specifications. Chameleon is the industry's first interactive, multimedia, internet-ready (on demand) ATM platform and is the *Pay-Ease* PayStation standard. This kiosk incorporates all *Pay-Ease* payment collection functionality and software as well as traditional ATM banking service capability.

Tidel's customized PayStation for *Pay-Ease* accepts cash, personal check and, subject to regulatory and industry approval in early 2005, credit card payments by Customers. Importantly, the flexibility of the Tidel PayStation ATM platform also supports the future expansion of the *Pay-Ease* network as a traditional banking services ATM.

Transaction Processing Software

Systems Concepts, Inc.   Transaction Processing Software Specialists

Systems Concepts, Inc. is an Ohio-based software developer. *Pay-Ease* has a contractual relationship with Systems Concepts for the exclusive license of ReCaps; SCI's cashiering software application used in utility, banking and governmental sectors since 1980.

SCI's clients include BellSouth, Southern California Edison, CINergy, Louisville Water Company, Carolina Telephone & Telegraph and Lansing Board of Water & Light. Bank clients include ABN AMRO/LaSalle, First of America, Star Bank, Hollywood Federal Savings and other financial institutions. SCI also serves the City of Chicago where ReCaps helps manage the collection of over 50 unique City payment collections that are integrated with over 10 host legacy systems.

SCI's ReCaps software is the platform on which the *Pay-Ease* payment acceptance network has been built. The software allows us to have total control over the look and feel of our collection application and process, the user screens, the services we can provide, and our operating environment. ReCaps also allows for great flexibility to respond to the specialized requests of our Subscribers and Customers.

SUBSCRIBER AND HOST CLIENTS

Current Chicago Region Subscribers

ComEd	Peoples Energy	SBC – 5 state region
City of Milwaukee	Wisconsin Electric	

Current Hosts

Dominick's (Safeway)
Tony's Finer Foods

Future Subscribers

RCN Cable	Comcast Cable	EWI prepaid services
State of Illinois – Department of Human Services		

Future Hosts

Jewel-Osco (Albertson's)
Multiple ethnic groceries
Currency Exchanges

HOST SITE SELECTION

It is **Pay-Ease**'s business model to place PayStation terminals as entrance points to our collection processing system and network in high traffic, necessity destination grocery, retail, Agency and public sector venues that best meet our Customer demographic and volume criteria. We focus on establishing contract Hosting relationships with national retail market leaders across all of their trade name stores and divisions.

We first select a regional or local market territory based on multiplicity of actual and potential Subscribers, and then use actual and projected census data to confirm opportunity to achieve our Customer population and transaction volume requirements. Rather than then enter that market hoping to do business, **Pay-Ease** first contracts with the dominant utility and consumer service provider Subscribers with sufficient customer bases to suggest that at least 15% of their customers will use PayStation to pay their bills. This minimum is necessary for **Pay-Ease** to return a profit. Using established mapping and census tract processes, and retail store location databases, we then identifies the most aggressive and dominant necessity destination retailers in community areas meeting our Customer targets and volume expectations and we move to contract with them to Host and advertise the availability of PayStation collection kiosks to our target Customers.

We will thus be able to offer each Host and site location a **Pay-Ease** terminal choice at an affordable cost justified by anticipated transaction volume. Any **Pay-Ease** terminal will be able to be upgraded to a higher model at any time that transaction volume consistently exceeds **Pay-Ease** minimums.

Pay-Ease does not limit Host site participation to our high volume PayStation model. We will deploy terminals in Subscriber Customer service centers, Agency and Municipal offices and other venues that may not initially meet our transaction volume/profit minimums if a Subscriber subsidizes our processing cost as a Customer service benefit or incentive to reduce their collection cost or illustrate good will.

Pay-Ease does not compete with internet, direct debit, and phone-in or mail payment collection alternatives. We provide walk-in Customer convenience, payment simplicity, and immediate, error-free service that also builds Customer loyalty and retail Host sales volume. This is the attraction and financial benefit to placing PayStation kiosks in retail stores.

In exchange, Pay-Ease contractually requires private sector Host and Subscriber participation in mutually beneficial advertising promotions encouraging use of PayStation to pay almost any bill at each Customer's store or location of preference, as much as 24/7, seven days a week.

FUTURE COLLECTION & SERVICE OPPORTUNITIES

Pay-Ease can service additional payment collection initiatives for the City of Chicago including, but not limited to, Customer purchase and dispensing of:

- Annual City Vehicle stickers.

- Resident Parking Permits for restricted zone residential street parking. Residents must already be registered with the City to purchase renewal Permit stickers at PayStations.

- Temporary Guest Parking Permits to registered residents in restricted parking zones.
- Routine Limited Business License renewals that do not require re-certification and where Customer registration data has not changed. Certificates can be subsequently mailed to paid-up Customers as usual.

- Any routine Limited Business License purchase that does not require the Customer to do more than choose a product from the PayStation touch screen menu and then scan or enter an existing account, or other number such as a drivers license number, to make a purchase or receive a benefit.

Pay-Ease will be pleased to discuss the City's and the DOR's additional collection needs, and how we may accommodate them:

- As an expansion of this basic Parking Ticket and Water Bill payment collection proposal.

- As an addendum to the Contract before or after signing.

- As a service expansion prior to a future contract extension acceptance or renewal option coming into play.

November 15, 2004

Mr. Eric J. Griggs
Chief Procurement Officer
Department of Procurement Services
121 North LaSalle Street – Suite 403
Chicago, Illinois 60602-1284

SUBJECT: Sole Source Request
CONTRACT TYPE: Professional Services Agreement
CONTRACT TITLE: Automated Collection Services
VENDOR: *Pay-Ease, Inc.*
ESTIMATED ANNUAL COST: $12,240 per year

Dear Mr. Griggs:

In March of 2004, the Department of Revenue submitted a request to the Sole Source Review Board to consider entering into a contract Agreement with *Pay-Ease, Inc.,* to have them provide a concessions-type service. The SSRB voted four-to-zero to return the submittal back to Revenue, with the recommendation that the submittal go before City Council for approval because it was "concessions-based".

Recently, the compensation requirements have been fundamentally changed into a fee-for-service type requirement, and is therefore no longer concessions-based.

Pay-Ease Inc. is a highly qualified vendor providing a unique (and so far exclusive) niche in the mechanical self-pay industry. *Pay-Ease Inc.* currently provides this service to its clients: *ComEd, People's Energy, City of Milwaukee,* and *SBC* through the use of its *Pay-Ease* stand-alone self-service kiosk machines (situated throughout the City). Each individual kiosk is uniquely capable of processing multiple payments for a multi-client base. (Please review these details in the attached Justification For Non-Competitive Procurement.)

In support of this request, please find the attached: the CPAC Checklist; requisition #12364; the Justification for Non-Competitive Procurement form; a general Scope of Work; and a copy of the most current vendor proposal detailing the project scope.

Please feel free to call me personally at 4-0512 concerning this particular Sole Source justification request. Please contact Steven Sakai, Contract Coordinator, at 7-3753 for any contract processing matters.

Very truly yours,

Bea Reyna-Hickey
Director

Attachments (5)

BRH:sys

NEIGHBORHOODS
Alive!
BUILDING CHICAGO TOGETHER