

ePaymentsNetwork

Payments Processing with TokenCard™

PCI-DSS Verified Level 1 Service Provider

TokenCard™

ePaymentsNetwork Gateway

Merchant Accounts

Credit Card Processing

ACH Origination

eChecks

Remittance Processing

ePaymentsNetwork is a DBA of Transaction Processing Partners of Texas, Inc.

- **PCI-DSS Verified Level 1 Service Provider**

- Highest level of security attainable – able to process an unlimited number of transactions annually.

- Annual on-site evaluation by certified Security Assessor
- Quarterly scans by third party

- Registered with Visa and MasterCard

- Listed on Visa and MasterCard web sites.

- Data Center is SSAE 16 compliant

PCI-DSS: Payment Card Industry – Data Security Standard

[Simplified video of PCI requirements on youtube.com](http://youtube.com)

• Key Points

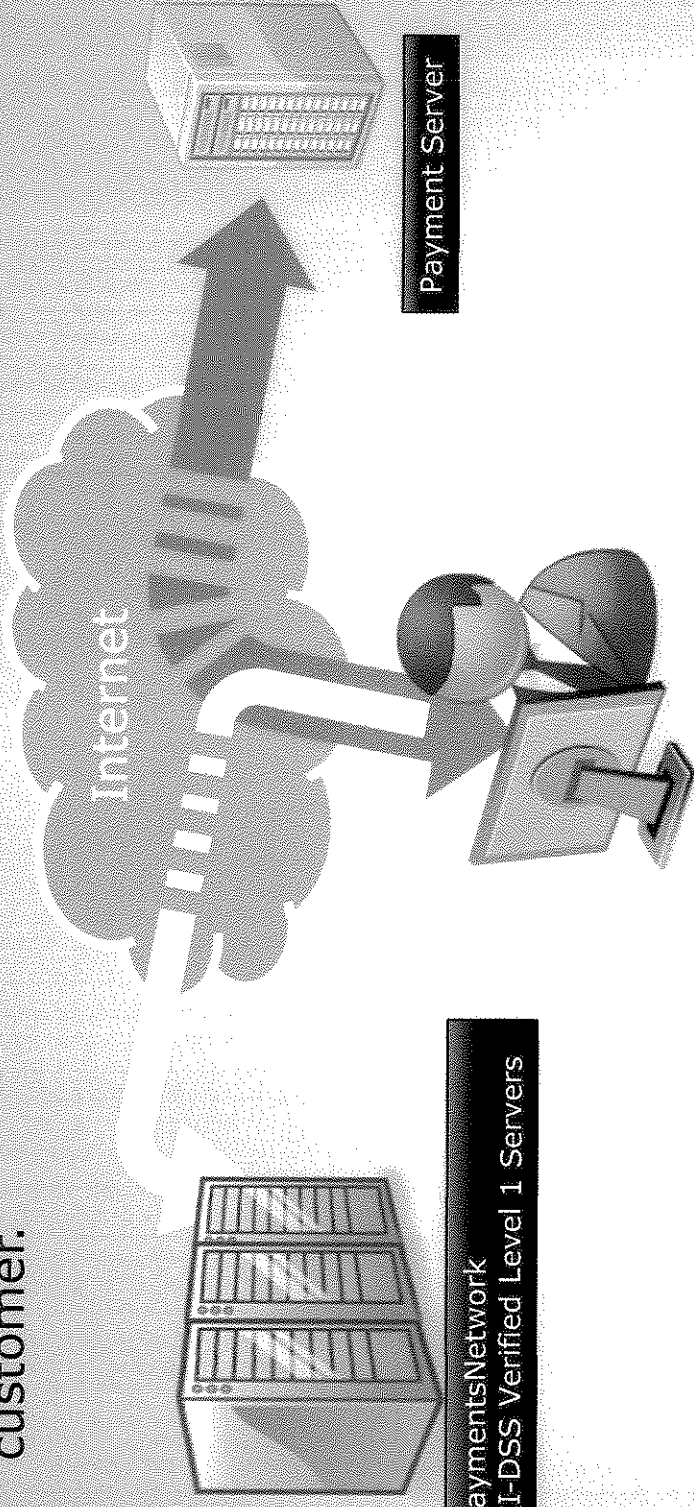
- Takes the PAIN out of PCI-DSS compliance
- Eliminates PCI-DSS compliance for transmitting and storing cardholder data
- Easy to use, transparent to the user
- ePaymentsNetwork Servers are housed in a 30,000 Sq. Ft., SAS-70 certified, facility
- Free API/SDK available for developers
- Easy implementation using web services

TokenCard™ – Key Points

Transaction Processing Partners of Texas, Inc. DBA ePaymentsNetwork is a registered ISO and MSP of HSBC Bank National Association, Buffalo, NY.

- **Secure payment card capture**

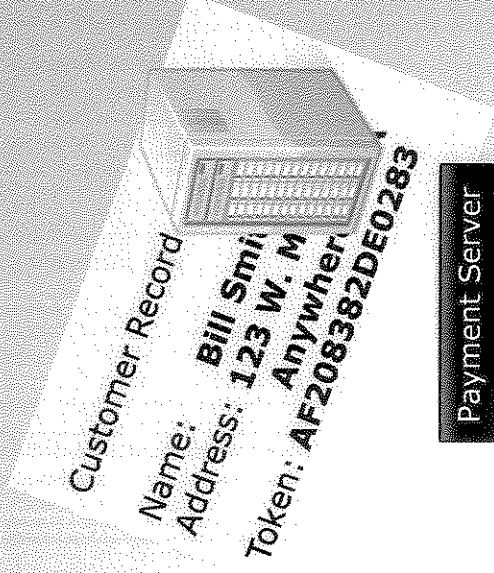
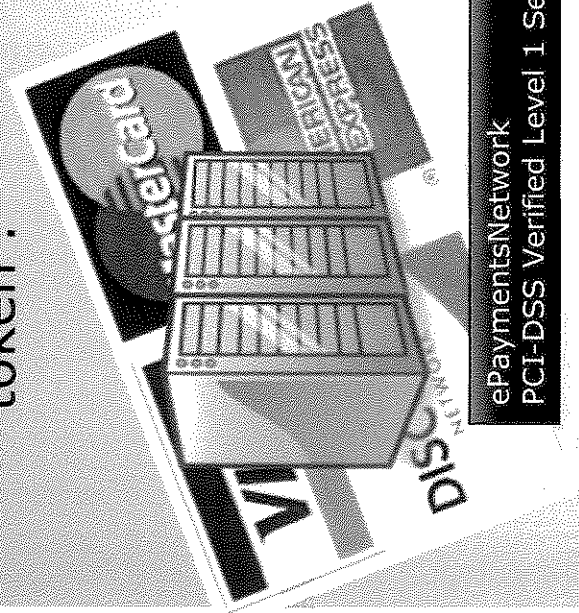
- ePaymentsNetwork's proprietary TokenCard™ process enables compliance of PCI-DSS for transmitting cardholder information, by creating a secure "tunnel", through your payment software, to our PCI verified system, during card data entry by your customer.



TokenCard™ Data Capture

Secure Card Data Storage

- TokenCard™ ensures your PCI compliance by storing cardholder information on our PCI-DSS Verified Level 1 Servers. You never store cardholder information only a "token".



TokenCard™ Data Storage

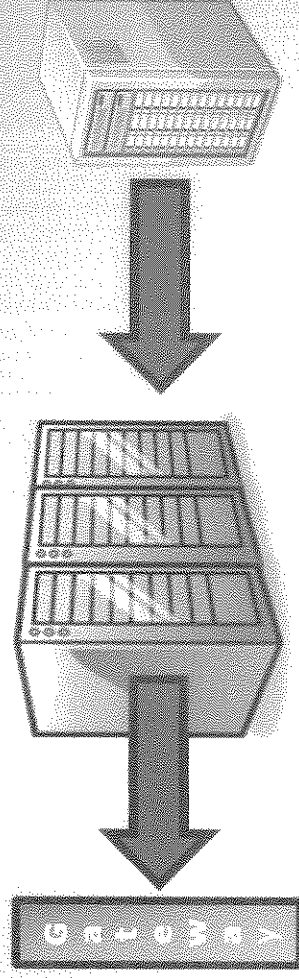
Payment authorization with TokenCard

Uluro Server transmits a TokenCard™ number, instead of a credit card number, along with payment information to ePaymentsNetwork.

ePaymentsNetwork replaces the TokenCard™ with the previously stored real card number.

ePaymentsNetwork Gateway obtains authorization for the payment transaction

TokenCard™ tokens can be safely stored and re-used for recurring payments



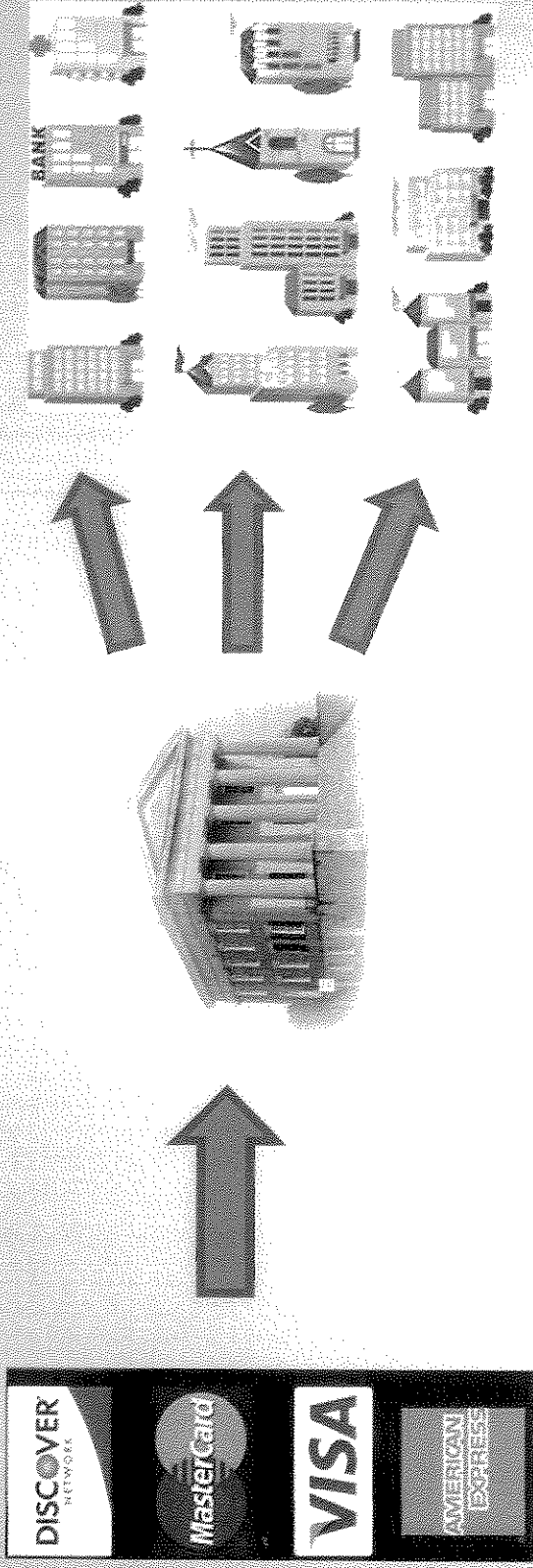
Payment Server

ePaymentsNetwork
PCI-DSS Verified Level 1 Servers
and Gateway.

TokenCard™ Payment Authorization

• Settlement

- The Acquiring Bank receives funds from the Issuing Banks for each transaction processed by your Bill Payment Server.
- The Acquiring Bank deposits funds, less fees, to each merchant's bank account.



TokenCard™ - Settlement

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Lexington-Fayette Urban County Government
DEPARTMENT OF FINANCE & ADMINISTRATION

Jim Gray
Mayor

Jane C. Driskell
Commissioner

ADDENDUM #2

Bid Number: **#67-2012**

Date: May 17, 2012

Subject: Print & Mailing Services –
Sewer, Landfill, & Water Quality Fees

Address inquiries to:
Theresa Maynard
(859) 258-3320

TO ALL PROSPECTIVE BIDDERS:

Please be advised of the following clarifications to the above referenced bid.

Todd Slatin, Acting Director

Division of Central Purchasing

All other terms and conditions of the Bid and specifications are unchanged.
This letter should be signed, attached to and become a part of your Bid.

BID OF: BlueGrass Mailing, Data & Fulfillment Services

ADDRESS: 833 Nandino Blvd, Lexington KY 40511

SIGNATURE OF BIDDER: _____

More Questions on Bid #167-2012

General:

1. Please provide samples of your Invoices, Past Due Notices, Other Letters and envelopes. Not yet developed, we have no samples.

2. Is the same #10 mailing envelope used for all invoices, notices and letters? If not, please identify which documents require separate #10 envelopes.

Yes.

3. For the Invoices, Past Due Notices and Letters that are specified as Duplex, is the back side static information or is variable printing required on the back side?

Back is static.

4. Do the Past Due Notices share the same layout as the regular bills with additional text or color, or is the notice a completely different layout?

Not yet designed.

5. Do the simplex and duplex letters use the same letterhead?

Unknown at this time.

6. Please provide estimated monthly or annual quantities for:

- Past Due Notices
- Other Letters (duplex)
- Other Letters (simplex)
- Flats

Unknown at this time.

7. Are the flats mailed in 9 x 12 envelopes? If so, are they also pre-printed or double window with an address coversheet.

We do not expect flats to mail in 9 x 12 envelopes.

8. Are 6 x 9 envelopes leveraged for multi-page bills with 6 - 13 pages?

This is not anticipated.

9. Are all bidders required to use Green Seal certified papers?

Yes, where available.

10. Who is your current vendor?

Kentucky American Water has been sending out these bills for LFUCG, as part of the overall utility billing contract.

11. If possible, please provide the vendors current cost per bill to LFUCG.

It was part of the overall contract with the utility.

In the requirements table that begins on page 2 of the specifications:

12. Item 2 - will all files required to be included in the late afternoon mail be sent around 9:00 pm the previous night and no later than 8:00 am the day of mailing?

Yes.

13. Item 9 - which documents require laser printed spot color (Black+1 color), as this affects the cost.

Unknown until documents are designed.

14. Item 17 - does the 12 month bill archive need to be accessible online to business office staff, customers, or both, or is this just for backup and retention purposes? If online, who will need access?

As this will be a new service for LFUCG, please recommend and quote your suggested approach. LFUCG is interested in all ways to leverage bill archives, especially providing online access to this information to call center staff.

Pricing:

15. Item 7 - A 2 color logo is specified for the #9 business reply envelopes. These are usually generic as the customer fills in their own return address in the upper left corner and the address on the bill stub appears in the envelope window. Where would the logo be printed?

This is unknown since the bill and documents have not been designed yet. For bidding purposes, bid assuming no printing on the front, 1 color on the back; the logo could go on the back; and it could be a single color to keep costs down.

For electronic billing and payment services:

1. Will the customer enrollment process for online billing and payments be handled by the Ventyx system or will we need to provide the customer facing enrollment module?

LFUCG's new billing agent, GCWW, will develop, implement & maintain the customer facing enrollment process & integrate the backend with Customer Suite.

2. What electronic delivery methods are desired? (online presentment, e-mail delivery, fax, etc.)

LFUCG is open to many options. Please make your recommendation based on industry best practices.

3. For online payments, will the cost of the service and transaction fees be absorbed by LFUCG or paid for by a convenience fee charged to the end customer?

Paid by convenience fee charged to end user.

BLUEGRASS

MAILING | DATA | FULFILLMENT

**PROPOSAL FOR
PRINT AND MAILING SERVICES
FOR
LEXINGTON FAYETTE URBAN COUNTY GOVERNMENT**

May 22, 2012

CONFIDENTIAL

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May 22, 2012

Lexington-Fayette Urban County Government
Department of Finance & Administration
200 East Main Street
Lexington KY 40507

BlueGrass Mailing, Data and Fulfillment Services would like to submit for your approval a proposal for Bid Number #67-2012 Print & Mailing Services – Sewer, Landfill & Water Quality Fees.

BlueGrass Mailing, Data and Fulfillment Services (BGMS) serves as a full service direct marketing company with a diverse staff. For the last 37 years, BGMS has been partnering with their clients to be a complete mailing and marketing solution. We are specialists in direct marketing, communications, billing solutions and fundraising in a variety of mail, e-mail, data and fulfillment processing from concept to implementation.

Since inception, BlueGrass has worked closely with the United States Postal Service to ensure complete understanding of all mailing procedures, discounts and regulations. In addition, we have stayed current technologically by incorporating the latest mail processing equipment, such as variable digital color printing, intelligent inserting, high output laser printers and an Optical Character Reader (OCR). BlueGrass stays up-to-date with all current computing trends using the latest and most efficient software for print management, quality control and mail processing.

We feel comfortable with invoicing and statement processing as we currently partner with other companies to perform all tasks associated with the receipt of data, printing of invoices, mail processing and e-bill presentment.

All of these assets make BGMS a clear choice as a complete solution for printing and mailing services. Please feel free to contact, Jim Buzard via phone 859-231-7272 or email Jim.Buzard@bgmailing.com if you need additional information or have questions. We are always available to meet with LFUCG to discuss any items contain herein. In the following pages we have included the documents that pertain to the printing and mailing services proposal.

Sincerely,



Jim Buzard

Business Development
BlueGrass Mailing, Data & Fulfillment Services

Executive Summary & Professional Qualifications

BlueGrass Mailing, Data and Fulfillment Services (BGMS) is submitting for LFUCG's approval a proposal for Bid Number #67-2012 Print & Mailing Services – Sewer, Landfill & Water Quality fees.

BGMS understands LFUCG's goals of the print and mailing project to be the following:

- Meet stringent deadlines for printing and mailing
- Ensure print quality for invoices, statements, letters and inserts
- Implement procedures for protection of sensitive data
- Printing of #10 envelopes, #9 reply envelopes, forms, documents
- Provide warehousing of printed items
- Provide daily, monthly and annual reports of material useage
- Provide daily, monthly and annual reports of postage useage

BGMS understands LFUCG's printing and mailing target dates. Deadlines are requirements – not goals. Our team works together seamlessly to meet those deadlines. BGMS is well prepared to receive data via a secure FTP and process data, print, insert and mail the complete data file within 24 hours of receipt.

- We treat all client data as private and confidential. BGMS would manage all LFUCG statements and invoices as sensitive data. Our SAS70 certification outlines our processes for maintaining the security of client data. While adhering to the SAS70 requirements, BGMS also utilizes the latest print management software. These tools help to ensure data integrity, security and various levels of quality benchmarks as well as complete tracking and secure processing through out the document creation and delivery process.

BGMS has an on site graphics design team that are fully versed in creation and development of invoices, statements, letters as well as general document design. LFUCG would have the ability to request document revisions. The requested revisions would be completed within 72 hours.

All data transmission will include quality control techniques to ensure a high level of quality. A multi-level system of data validation is performed to verify aspects such as file structure, record count, check for duplicate file transmissions, etc.

BGMS works directly with LFUCG to allow for online proofing of all documents, statements and invoices via a secure web browser. This allows LFUCG to approve or omit any document prior to printing.

The use of high speed printers allows for timely processing of all documents on a daily basis. Multi-layers of QC are followed to ensure continuous quality during print production.

Once data has been printed, the documents are collated, folded, inserted into envelopes and metered with first class postage. During mail processing, several quality proven techniques are followed to ensure there are no errors incurred. BGMS uses the latest in "intelligent inserting" that utilizes 2D barcodes, OMR marks and/or camera systems. These systems are paramount to the processing of sensitive documents.

BGMS is capable of presenting all invoices, statements and documents electronically to the recipient. Our e-bill presentment system also allows for a LFUCG branded website where LFUCG customer service staff could view documents while handling customer calls. This system also serves as a secure portal for customers to view their documents online.

Envelopes will be produced in bulk quantities. We will store all items in our environmentally controlled, secure facility and maintain inventories of such items.

All processes are performed on site at BlueGrass Mailing Data and Fulfillment Services located at 833 Nandino Boulevard, Lexington KY.

Professional Qualifications & Specialized Experience

Jim Buzard: Account Manager

Jim has been serving BGMS clients for a total of 28 years. With his longevity, Jim brings to the team a wealth of mailing and postal knowledge. Jim currently serves as the main point of contact for processing of LFUCG mailings. His role would continue under the proposed services. Jim would be responsible for daily interactions with LFUCG to help facilitate all projects.

John Young: Director of Sales

John has been helping clients meeting their needs since 1993. He has worked with various clients to develop a strategy to maximize their marketing or invoicing needs. John is knowledgeable in all aspects of invoice processing such as printing, mailing, postage and e-bill presentment. His nearly 20 years of mailing experience as well as his continuing education in new technologies and products, makes John a valuable asset to BGMS as well as our clients.

Tom Patterson: IT Manager

Tom has directed all BGMS data management and IT tasks since 1987. Tom's daily responsibilities include creating the data flow and work processes for the dispensation of data and print production. While serving in this role with BGMS, Tom has worked with various business types such as: banks, utilities and manufacturing. Tom's experience with a wide range of data types and print management software puts BGMS in the forefront of laser and digital printing.

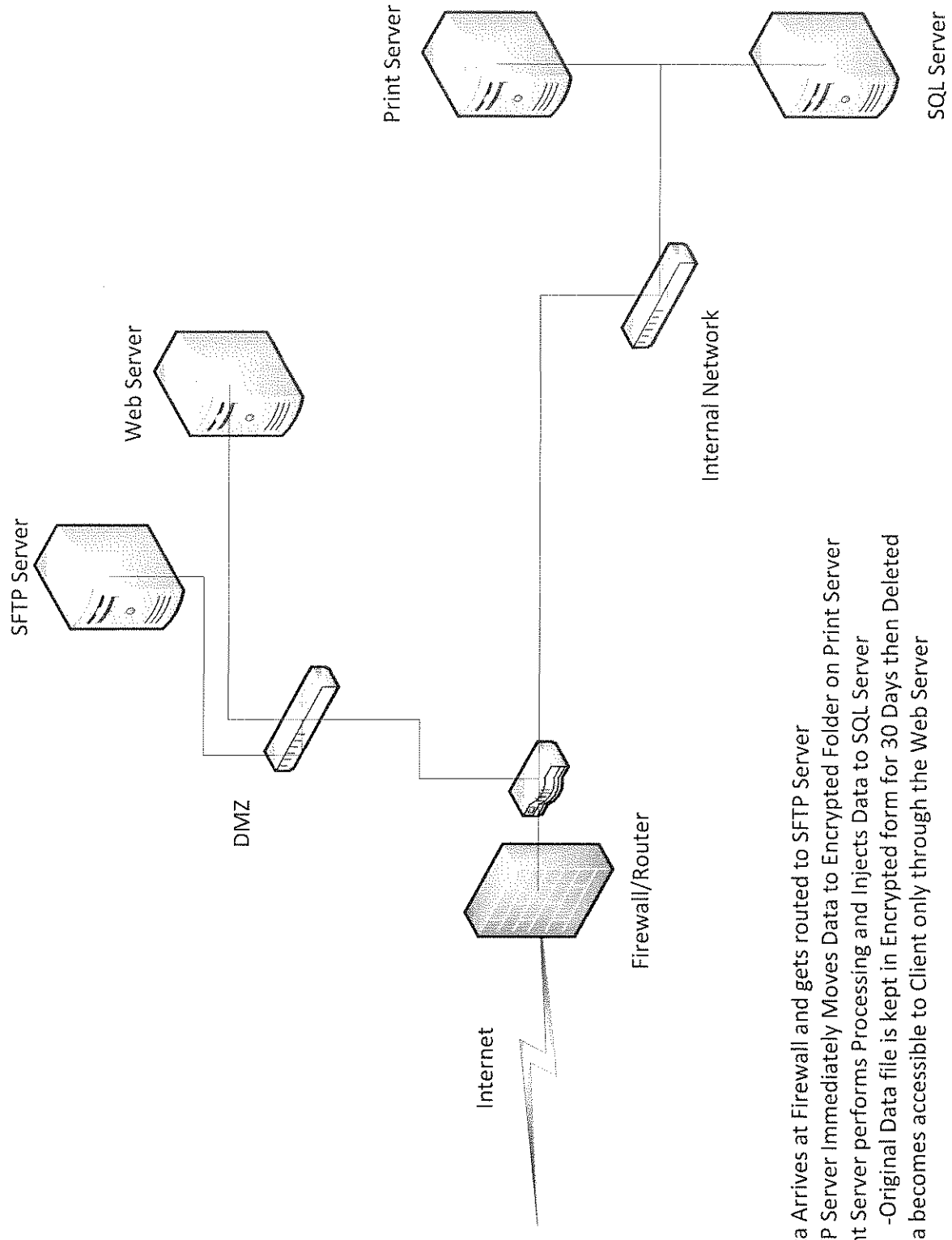
Sandy Collins: Inserting Manager

Sandy has 18 years of mail processing experience. She has worked in all aspects of mailing such as: inkjet addressing; bindery and mail sortation. She currently serves as the Inserting Manager at BGMS. Her duties are to oversee daily collation, folding, inserting and metering of client's materials within the stringent time frames required. Her knowledge of the complexities of processing sensitive data is a valuable asset to BGMS. Sandy has been the lead team member in processing sensitive documents for the past 10 years and is very comfortable with managing such products. She works daily on assignments containing confidential data and is skilled at managing those projects and/or directing other team members in the process.

Overview of BlueGrass Capabilities

- Document design services
- Secure receipt of data
- Secure printing of documents
- Electronic document presentment (ebilling)
- Intelligent inserting with the use of OMR, 2D & 3of9 barcodes
- Maximize postal discounts
- Archiving of documents
- Daily, weekly and monthly inventory reports
- Daily, weekly and monthly postage usage reports
- Comprehensive management and implementation of the proposed solution

BlueGrass Mailing Data Flow



1. Data Arrives at Firewall and gets routed to SFTP Server
2. SFTP Server Immediately Moves Data to Encrypted Folder on Print Server
3. Print Server performs Processing and Injects Data to SQL Server
 - Original Data file is kept in Encrypted form for 30 Days then Deleted
4. Data becomes accessible to Client only through the Web Server

Proposal for Maximized Benefit

Use of TransPromo and inserts to offset mailing costs

As resources dwindle, businesses and government need to control expenditures.... TransPromo could help meet that goal.

A large percentage of customers thoroughly read their bills, invoices and statements. Thus, these documents are valuable for an advertiser. Typically, there is a large amount of "unused" space on invoices (see Exhibit A).

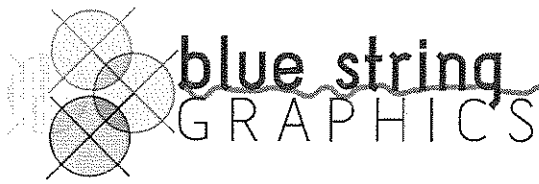
TransPromo (a.k.a. onserts) utilizes "white space" on printed invoices for advertising. This can be done within the original design of the invoice or by allowing our document management software to locate available space on an invoice prior to output. All of this functionality is available at NO ADDITIONAL COST(see Exhibit B).

This method of advertising is not new. American Express has used TransPromo to offset the cost of their invoicing for many years. Various other industries have also implemented this process to reduce mailing costs and boost their bottom line.

BlueGrass can develop and manage the sale of marketing ads and inserts that accompany LFUCG invoices. LFUCG would retain complete control of the advertisements. Documents could have variable ads or inserts based upon residential or business recipient.

Because of recent US Postal Service changes, a two ounce letter would mail at the same price as a one ounce letter. This would allow for more inserts without an increase in postage. LFUCG could capture this benefit by including additional advertising inserts within the same envelope as the invoice or statement.

To learn more, please visit our website at: www.bgmailing.com



345 Main St. Anytown, USA

800.928.6245

Account No.	E-ID
153471	
Due Date for Current Charges	Amount Due After Due Date
SEPT-18	\$ 5200.00
Amount Due	\$ 5180.00

Service Address	
From	To

Service	Unit Cost	Discount	Amount
Design & Proofing	200.00	-20.00	180.00
Print / Cut / Deliver	5000.00	0.00	5000.00
Previous Balances	Net Payments	Past Due Balances	TOTAL
0.00		0.00	5180.00

It's been a pleasure working with you!

Return this portion with your payment.



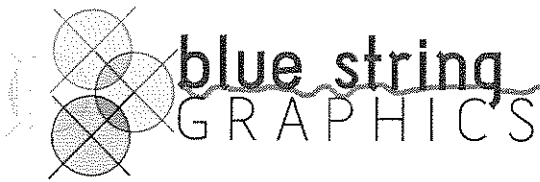
345 Main St. Anytown, USA

800.928.6245

John Q. Smith
1920 High Street
Anytown, USA 12345

Account No.	E-ID
153471	
Due Date for Current Charges	Amount Due After Due Date
SEPT-18	\$5200.00
Amount Due	\$5180.00
Amount Enclosed	

If paying with a credit card please complete all required information on the back.



345 Main St. Anytown, USA

800.928.6245

Account No.	E-ID
153471	
Due Date for Current Charges	Amount Due After Due Date
SEPT-18	\$ 5200.00
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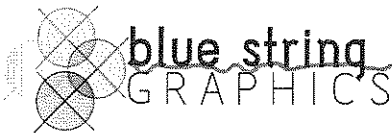
Service	Unit Cost	Discount	Amount
Design & Proofing	200.00	-20.00	180.00
Print / Cut / Deliver	5000.00	0.00	5000.00

Previous Balances	Net Payments	Past Due Balances	TOTAL
0.00		0.00	5180.00

It's been a pleasure working with you!



Return this portion with your payment.



345 Main St. Anytown, USA

800.928.6245

John Q. Smith
1920 High Street
Anytown, USA 12345

Account No.	E-ID
153471	
Due Date for Current Charges	Amount Due After Due Date
SEPT-18	\$5200.00
Amount Due	\$5180.00
Amount Enclosed	

If paying with a credit card please complete all required information on the back.

Exhibit B

Lexington Fayette Urban County Government

BLUEGRASS
MAILING | DATA | FULFILLMENT

BlueGrass Mailing, Data & Fulfillment Services

**Independent Report on Controls Placed in Operation
under Statement on Auditing Standards No. 70,
as amended ("SAS 70")**

As of May 31, 2011

BlueGrass Mailing, Data & Fulfillment Services
Independent Report on Controls Placed in Operation under SAS 70, as amended

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As of May 31, 2011

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Mountjoy
Chilton
Medley

Independent Service Auditor's Report

To BlueGrass Mailing, Data & Fulfillment Services

We have examined the accompanying description of controls applicable to services provided by BlueGrass Mailing, Data & Fulfillment Services ("BGMailing" or "the Company"). Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of BGMailing's controls that may be relevant to a user organization's internal control as it relates to an audit of financial statements, (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily and user organizations applied the controls contemplated in the design of BGMailing's controls, and (3) such controls had been placed in operation as of May 31, 2011. The control objectives were specified by management of BGMailing. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

We did not perform procedures to determine the operating effectiveness of controls for any period. Accordingly, we express no opinion on the operating effectiveness of any aspects of BGMailing's controls, individually or in the aggregate.

In our opinion, the accompanying description of the aforementioned controls presents fairly, in all material respects, the relevant aspects of BGMailing's controls related to its services that had been placed in operation as of May 31, 2011. Also, in our opinion, the controls, as described, are suitably designed to provide reasonable assurance the specified control objectives would be achieved if the described controls were complied with satisfactorily and user organizations applied the controls contemplated in the design of BGMailing's controls.

The description of controls at BGMailing is as of May 31, 2011, and any projection of such information to the future is subject to the risk that, because of change, the description may no longer portray the controls in existence. The potential effectiveness of specified controls at BGMailing is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk those changes to systems or controls, or the failure to make needed changes to systems or controls may alter the validity of such conclusions.

The information included in Section IV of this report is presented by BlueGrass Mailing, Data & Fulfillment to provide additional information to user organizations and is not part of BGMailings's description of controls placed in operation. The information in Section IV has not been subjected to the procedures applied in the examination of the description of the controls; and accordingly, we express no opinion on it.

This report is intended solely for use by the management of BGMailing, its clients and the independent auditors of its clients.

Louisville, Kentucky
June 10, 2011

2000 Meidinger Tower
462 South Fourth Street
Louisville, KY 40202

502.749.1900 P
502.749.1930 F
www.mcmcpa.com

Louisville
Lexington
Covington
Frankfort

**Section II: Description of Relevant Controls
Provided by BlueGrass Mailing, Data & Fulfillment Services**

**BlueGrass Mailing Data & Fulfillment Services
Description of Relevant Controls (Continued)
May 31, 2011**

A. Organizational Overview and General Control Environment

About BG Mailing:

BlueGrass Mailing, Data & Fulfillment Services was founded in 1974. Our physical plant is located at 833 Nandino Blvd in Lexington, Kentucky. Our fleet of service vehicles travels a tri-state area including Kentucky, Ohio and Indiana. Our building has 60,000 square feet which is electronically secure and is temperature controlled even in our receiving/warehousing area. Over the last 35+ years we have grown from a secretarial service with 2 employees to a full service direct marketing company with a staff of over 100.

We are specialists in direct marketing communications, billing solutions and fundraising in a variety of mail, e-mail, data and fulfillment processing from concept to implementation.

Blue Grass' growth can be attributed to the long term relationships we have developed with our clients. The services we offer have been expanded through the years because of the programs that have been implemented to accommodate our customers' needs.

Since inception, Blue Grass has worked closely with the United States Postal Service to ensure complete understanding of all mailing procedures, discounts and regulations. In addition, we have stayed current technologically by incorporating the latest mail processing equipment, such as variable digital color printing, high speed ink jet printers, top-notch high output laser printers, continuous forms printers and an Optical Character Reader (OCR). Blue Grass also stays abreast of all current computing trends, using the latest and most efficient software.

Our goal is to work with each client to customize solutions to accomplish their transactional, marketing or communication objectives through direct mail or email.

Management Philosophy

The control environment within BGMailing is driven by several elements that influence the control-consciousness of BGMailing employees and provides a foundation for other components of internal control. BGMailing is committed to maintaining the highest possible standards of ethical business conduct and maintaining integrity in all business interactions. BGMailing focuses its organizational efforts to ensure continued competence of the management team and in strengthening the processing infrastructure by building upon management philosophy and operating style to further shape processes and a strong control environment. BGMailing also focuses on designing processes and controls to ensure complete, accurate and timely service to meet clients' needs.

BGMailing strives to acquire and retain highly qualified people and to instill an enterprise-wide attitude of integrity and control awareness.

BGMailing management is committed to providing top-quality service to its clients and is dedicated to solving business problems by applying unique processes and technology-based solutions tailored to each client's individual objectives. BGMailing strives to build long-term client relationships based on mutual trust and respect.

BlueGrass Mailing Data & Fulfillment Services
Description of Relevant Controls (Continued)
May 31, 2011

A. Organizational Overview and General Control Environment (Continued)

Control Environment

BGMailing's control environment reflects the overall attitude, awareness, and actions of the executive management team, and other management members concerning the importance of controls and the emphasis given to controls in policies, procedures, methods, and organizational structure.

BGMailing cultivates a business environment where employees understand their responsibilities and are committed to ethical behavior. The executive management team leads this effort by setting a standard through personal behavior, sound hiring practices, maintaining open lines of communication with employees and owners, and maintaining written policies, procedures and standards of conduct. BGMailing's control environment reflects the proactive nature and awareness of its owners and management. The following is a description of the control environment components at BGMailing:

Management Controls: Management of BGMailing is responsible for directing and controlling operations and for establishing, communicating, and monitoring control policies and procedures. Importance is placed on maintaining sound internal controls and the integrity and ethical values of all BGMailing personnel. Organizational values and behavioral standards are communicated to all personnel through the employee handbook.

The executive management team of BGMailing has ultimate responsibility in overseeing the Company's affairs. The team is composed of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operations Officer (COO) and Vice President of Sales. The executive management team meets regularly to discuss matters pertinent to the Company, including review of financial results, technology needs and requirements, key operational changes, client needs, client relations and company accomplishments. The executive management team has developed strategic goals for long-term company planning.

Organizational Structure: The organizational structure of BGMailing provides the overall framework for planning, directing, and controlling operations. BGMailing's structure allows the organization to clearly define responsibilities, lines of reporting and communications, and allows employees to focus on the specific software issues and features affecting its clients. Up-to-date employee handbooks are in place to instruct personnel on routine activities. Employees are also required to acknowledge receipt of an employee handbook, including non-disclosure, non-solicitation confidentiality policies and non-competition agreements on their date of hire.

BlueGrass Mailing Data & Fulfillment Services
Description of Relevant Controls (Continued)
May 31, 2011

A. Organizational Overview and General Control Environment (Continued)

Organizational Structure (Continued): The Company is organized into five distinct units based on operational workflow and functions:

- Corporate Administration, Finance, Accounting and Human Resources
- Sales & Client Services/Support
- Marketing and Strategic Initiatives
- Operations, Quality, and Product Development
- Enterprise Technology (IT)

Segregation of Functions and Duties: Inherent to internal controls is the principle of segregation of incompatible functions and duties, which is evident throughout the control activities included within this report. BGMailing is structured to delineate responsibilities in a manner that reinforces segregation of duties related to client information and processes.

Human Resources Policies and Procedures: BGMailing's commitment to quality is reflected in the policies and procedures employed for attracting and retaining employees. BGMailing is committed to hire personnel that are talented and knowledgeable in its industry. BGMailing employees combine technical ability with a strong understanding of client service. The level of professionalism throughout the Company is reflective of the success BGMailing has had in attracting top-quality, experienced personnel.

BGMailing has a structured application and interview process, which includes application screening, a screening interview and at least one manager interview. All prospective new employees are required to be approved by the CEO/President and appropriate division manager. The Human Resource Department, through the use of a third-party service provider, performs criminal and other background checks. For any driver position, a Department of Motor Vehicle report is completed as well as drug screening.

New employees must sign an employee handbook acknowledgement. The acknowledgement includes a statement that they have received and read a copy of the employee handbook. This verification is retained in the employees personnel file. The handbook includes, among other items:

- Introduction
- Employment
- Wage and Salary policies
- Employment Benefits
- Absence from Work
- Staff Safety and Health
- Corrective Action
- HIPAA Notices – twice a year
- Sexual Harassment Policy
- Equal Employment Opportunity (EEOC)
- Family Medical Leave Act (FMLA)
- Confidentiality Disclosure

BlueGrass Mailing Data & Fulfillment Services
Description of Relevant Controls (Continued)
May 31, 2011

A. Organizational Overview and General Control Environment (Continued)

Human Resources Policies and Procedures (Continued): Training of personnel is accomplished through supervised on-the-job training, outside seminars and in-house classes. Certain positions require the completion of special training. Managers are also responsible for encouraging the training and development of employees so all personnel continue to qualify for their functional responsibilities. Formal performance reviews are conducted on an annual basis. Employees are evaluated on objective criteria based on performance. An overall rating (needs improvement, meets job requirements, exceeds job requirements, or outstanding) is assigned.

Insurance: BGMailing believes it maintains reasonable and adequate amounts and types of insurance coverage, subject to market availability, against major risks facing the organization. Coverage is provided by insurance companies that BGMailing believes to be financially sound. A regular review of the adequacy of coverage and financial stability of the insurer is carried out by both appropriate management personnel and BGMailing's external broker.

Risk Assessment: BGMailing has placed into operation a risk assessment process to identify and manage risks that could affect its ability to provide reliable, consistent, accurate and timely services to its clients. This risk identification process allows BGMailing to identify significant risks based on the following:

- Management's knowledge of its services and baseline service levels for its current clients
- Monitoring of changes in legal, regulatory, political and environmental laws and regulations which impact BGMailing's operations
- Monitoring the size and complexity of services to quickly adjust to changes in client needs
- Monitoring of client issues/complaints
- Information security monitoring
- Monitoring of key operational metrics

For any significant risks identified, management is responsible for implementing appropriate measures to monitor and manage these risks (e.g., implementing/revising control procedures, conducting specific audit projects). Actions taken to manage risk from a client's perspective include, among others:

- Establishing and revising policies and procedures to ensure controls are in place to appropriately address changing needs
- Establishing and coordinating appropriate forms, schedules and checklists to be used
- Providing training on processing and reporting standards
- Strengthening of controls to ensure accurate and timely services
- Responding to and acting upon security, business and technology risks identified

**BlueGrass Mailing Data & Fulfillment Services
Description of Relevant Controls (Continued)
May 31, 2011**

A. Organizational Overview and General Control Environment (Continued)

Monitoring: The executive management team and other management members are responsible for monitoring and analyzing the quality of internal control performance as a routine part of their daily activities. BGMailing has developed a system that monitors and reports key corporate and departmental measures. These measurements are based upon ensuring BGMailing is providing its clients high levels of service that meets their expectations. Some of the key metrics which are being tracked and monitored include the following:

- On-Time Delivery
- Quality Controls
- Customer Issues
- Efficiency of Processes
- Financial Measures, including Rework costs
- Critical Help Desk Processing

Information and Communication: BGMailing has implemented various methods of communication to ensure all employees understand their individual roles and responsibilities over related controls, to ensure that significant events, changes in processing controls and documentation standards as well as results of key metric tracking are effectively communicated throughout the organization. Executive management and corporate leadership hold periodic meetings to provide insight into strategic direction, key decisions and technology changes. Managers also hold periodic staff meetings as appropriate to address and communicate key processes and control procedures. Employees are required to provide a signature as acknowledgement of receipt and agreement to the information systems policies.

B. Data and Information Security

BGMailing has data and information security policies, standards, and procedures to help ensure the confidentiality, integrity, and availability of information technology ("IT") assets owned by the Company. BGMailing has a steering committee that oversees IT and is comprised of principal members of management. Regular meetings are held to report problems, solutions, and requests to the steering committee. The IT department is responsible for monitoring system availability, escalating IT issues, correcting problems and reporting regularly to management.

Physical Security: The central servers and data room are located at the corporate headquarters in Lexington, Kentucky which is secured by both proximity and combination locks which only members of IT and other specifically approved personnel can access. The room has fire suppression units and has separate air conditioning controls to prevent overheating. The servers are protected by uninterrupted power supply ("UPS") units to provide for an orderly shutdown and to eliminate data loss. The data room is monitored for environmental elements. If any of the thresholds are exceeded the appropriate personnel is notified. Access to the corporate office is limited to entry by authorized personnel only.

BlueGrass Mailing Data & Fulfillment Services
Description of Relevant Controls (Continued)
May 31, 2011

B. Data and Information Security (Continued)

Computer Viruses: BGMailing has procedures to protect information systems and technology from computer viruses. The procedures express management's commitment to protect information assets. All workstations including laptops are protected with anti-virus software that is regularly updated.

Logical Access: BGMailing has security policies and procedures to protect logical access to information assets housed within the Company. The policies express BGMailing ' commitment to define and protect information assets. A security banner reminds users of security policies prior to their login to information systems. User account access to software systems is restricted to those employees with a job-related need, and modifications to this access are reviewed and approved by appropriate levels of management. Administrative accounts are restricted in number and are limited to those with a job related role within the organization. Password policies are documented to prevent unauthorized access to software systems. The Company's firewalls, virtual network connections, and intrusion detection software are all current and protect against external threats. Servers and workstations are set to automatically lock after a predetermined inactivity time.

Change Management: Formalized change management systems are in place for any changes made to IT-related tasks, software or related programs. There is proper segregation of IT duties from transaction, processing and accounting duties. Promotion to Live/Production environments is assigned to specific individuals who review and verify updates before they are promoted. BGMailing is committed to delivering our customer's a quality product. If a change is made to a customer's product, the customer must review it for accuracy and integrity prior to final implementation.

Data Storage: Management has established policies and procedures to protect data stored on mobile computing devices. Laptops are encrypted. When not in use, laptops are secured with locking cables. For all smart phones granted access to BGMailing information systems, in the event of theft or if the device is stolen, management will remote wipe the data or set it back to factory settings.

Contingency Planning: The BGMailing information technology department has drafted a disaster recovery plan. The plan includes: emergency contact, multiple off-site storage locations, multiple alternative processing sites and essentials server hardware. This plan offers detailed instructions of the processes that are to be performed in the event of unexpected system downtime. The policies address the means by which BGMailing will restore the technical infrastructure and the operating system.

Data is one of BGMailing's most valuable assets. In order to protect this asset from loss or destruction, it is imperative that it be safely and securely captured, copied and stored. The goal of the server backup policy is to outline how and when data residing on BGMailing servers is backed up and stored for the purpose of providing restoration capability. Backups are conducted automatically, using Appassure software. The following are the procedures BGMailing uses in performing backups.

Key servers are backed up at least every 15 minutes. These backups, called snapshots, are maintained on a server located in the server room. Each snapshot is kept for 1 day. Each hourly snapshot is kept for 2 days. Each daily snapshot is kept for 3 days. Each weekly snapshot is kept for 1 week. Each monthly snapshot is kept for 1 month. Roll-up occurs every night at 11:59pm. Roll-up ensures that each snapshot being kept and maintained is the latest version of data possible. Each snapshot is also replicated to a controlled data facility outside of our region.

**BlueGrass Mailing Data & Fulfillment Services
Description of Relevant Controls (Continued)
May 31, 2011**

B. Data and Information Security (Continued)

Contingency Planning (Continued): All data is encrypted during transmission, as well as on the cloud server. In the event of system failure, any or all machines can be "spun up" in a virtual environment, allowing access to business critical information and files.

All server logs are kept electronically, and reviewed by assigned IT staff to ensure backups have occurred as required. Any condition that has affected backups will be addressed immediately and monitored by assigned IT staff to ensure the problem is corrected. Problems that cannot be resolved by assigned IT staff will be escalated to the IT manager for resolution. At least semi-annually, backup files are tested to ensure data and program files can be restored.

In the event of a power outage, the UPS systems will provide auxiliary power to the server room and other key computers to allow for an orderly shutdown. An additional function of the UPS systems is to protect the server room from power surges. If the power outage is expected to be significant, then BlueGrass Mailing, Data & Fulfillment Services has procedures in place to take the backup files to an offsite location to begin processing and to procure additional auxiliary power sources for extended power outage periods.

C. Services Provided to Customers:

- Invoice/Statement Processing, Printing and Electronic Presentment
- Direct Mail Marketing, Graphic Design and Copywriting
- Mailing List Maintenance, Enhancement and Management
- Variable Digital Full Color Printing
- Direct Mail Fundraising
- Mail, Web and E-Mail Blending
- High Speed Laser Printing
- E-Mail Creation, Sending and Tracking
- Literature and Product Fulfillment - Storage and Distribution with Order Entry and Store Front Systems
- Data Entry and Conversions, Data Processing and Programming, Response Tracking, Data Appending
- Mailing List Creation, Research and Brokering
- Mail Co-Mingling for Postage Discounts, Bar-coding, Drop Shipping
- Publication Subscription Renewal Programs

**BlueGrass Mailing Data & Fulfillment Services
Description of Relevant Controls (Continued)
May 31, 2011**

C. Services Provided to Customers (Continued):

- Rebate Processing and Check Printing
- High Speed Mechanical Envelope Inserting with Camera Verification Systems
- Transpromo - Identifying Blank Areas on Invoices and Statements to Print Advertising Content
- International Shipping and Mailing
- Ink Jet Addressing, Mail Metering/Stamping, Folding, Scoring, Perfing, Cutting and Tabbings

BlueGrass Mailing, Data & Fulfillment Services will work with project administrators and key stakeholders to organize documents and products to be added to the Company's platform. Custom software programming and template design will commence after this planning stage. BlueGrass Mailing, Data & Fulfillment Services collaborates across the entire enterprise, from Management to Marketing to Creative to Sales, in order to implement the most efficient and cost-effective platform.

BlueGrass Mailing, Data & Fulfillment Services employs a well-defined and well controlled process to manage and implement change and functional enhancements. This process includes the following steps:

- Customer data received by secure transmission
- Data is checked for accuracy & quantities are confirmed
- Output documents are created based on customer specifications
- Output documents are checked internally for accuracy
- Digital and/or hard copy proofs are provided to the customer
- After approval from customer, output of requested documents is begun
- During output, quality is checked at predetermined intervals

D. Corporate Governance

BlueGrass Mailing, Data & Fulfillment Services has policies and procedures in place to ensure the Company maintains adequate insurance coverage and has adequate internal financial controls. The Company maintains normal business insurance policies that management and the Board have deemed adequate.

BlueGrass Mailing Data & Fulfillment Services
Description of Relevant Controls (Continued)
May 31, 2011

E. User Control Considerations

BlueGrass Mailing, Data & Fulfillment Services' services are designed with the assumption that certain controls will be implemented by the user organizations. It is not reasonable that all necessary and sufficient control objectives related to these services be solely achieved by BGMailing's control procedures. Accordingly, BGMailing clients should establish their own internal controls or procedures to complement those of BlueGrass Mailing, Data & Fulfillment Services. The following client consideration controls should be implemented by clients to provide additional assurance the control objectives surrounding the use of BGMailing services are met. As these items represent only a part of the control considerations that might be pertinent in the client's control environment, client's auditors should exercise judgment in selecting and reviewing these complementary user organization controls.

- Client organizations are responsible for informing BlueGrass Mailing, Data & Fulfillment Services of any regulatory issues that may affect the services provided by BlueGrass Mailing, Data & Fulfillment Services.
- Client organizations are responsible for ensuring BlueGrass Mailing, Data & Fulfillment Services receives timely, written notification of client requests and changes.
- Client organizations are responsible for ensuring confidentiality of any user ID's and passwords assigned to them for use within the BlueGrass Mailing, Data & Fulfillment Services secured FTP site.
- Client organizations are responsible for immediately notifying BlueGrass Mailing, Data & Fulfillment Services of any termination of employees who have access to the secured FTP site.
- Client organizations are responsible for immediately notifying BlueGrass Mailing, Data & Fulfillment Services of any actual or suspected information security breaches, including compromised user accounts.
- Client organizations are responsible for ensuring output received from BlueGrass Mailing, Data & Fulfillment Services is reconciled to client control expectations.
- Client organizations are responsible for ensuring output reports are reviewed by appropriate individuals for completeness and accuracy.
- Client organizations are responsible for ensuring electronic Protected Health Information transmitted to BGMailing is appropriately encrypted.

The list of user organization control considerations presented above is not a comprehensive list of all internal control structure policies and procedures that should be employed by user organizations. Other internal control structure policies and procedures may be required at user organizations.

Section III

Control Objectives and Related Controls

**BlueGrass Mailing Data & Fulfillment Services
Control Objectives and Related Controls
May 31, 2011**

Information Provided by Service Auditor

Objectives and Scope of the Examination (Type I)

This report on the internal control structure placed in operation by BlueGrass Mailing, Data & Fulfillment Services is intended to provide interested parties with information sufficient to understand the controls surrounding the services, provided by BlueGrass Mailing, Data & Fulfillment Services. This report, when combined with an understanding of the internal controls in place at user organizations, is intended to assist in the assessment of internal controls surrounding BG Mailing services and their impact on user organizations.

The examination was performed in accordance with the AICPA Standards, including Statement on Auditing Standards No. 70, "Service Organizations" as amended by AICPA Statement on Auditing Standards No. 88, "Service Organizations and Reporting on Consistency" (collectively "SAS No. 70"). It is each interested party's responsibility to evaluate this information in relation to the internal control structure in place at each user organization in order to assess the total internal control environment. If an effective user organization internal control structure is not in place, BlueGrass Mailing, Data & Fulfillment Services' internal control structure may not compensate for such weaknesses.

Control Environment

The control environment represents the collective effect of various elements in establishing, enhancing, or mitigating the effectiveness of specific policies, procedures and controls. Our procedures included tests of the relevant elements of BlueGrass Mailing, Data & Fulfillment Services' control environment, including BlueGrass Mailing, Data & Fulfillment Services' organizational structure and approach to segregation of duties, management control methods, personnel policies and practices, risk assessment and monitoring, control activities and information and communication, among others.

Our procedures included the following, to the extent we considered necessary: (a) a review of BlueGrass Mailing, Data & Fulfillment Services' organizational structure, including the segregation of functional responsibilities, personnel policies, and policy and procedure manuals; (b) inquiries of management, operations, administrative and other personnel who are responsible for developing and assuring adherence to and applying internal control structure policies and procedures, (c) observations of personnel in the performance of their assigned duties as well as system and other key documentation that related controls were in place during the period covered by our testing (d) inspection of documents evidencing the performance of the controls stated in the control objectives, among others.

BlueGrass Mailing Data & Fulfillment Services
Control Objectives and Related Controls
May 31, 2011

Control Objective 1: Controls provide reasonable assurance that policies and procedures are in place to protect customer information.

Controls Specified by BGMailing:

- The following Information Systems policies exist and have been approved by an appropriate level of executive management. The policies address system and data security, reliability, and management's expectations in these regards:
 - Acceptable Use Policy
 - Anti-Virus Recommended Processes
 - Automatically Forwarded Email Policy
 - Cell Phone Policy
 - Data Backup Policy
 - Email Policy
 - Encryption Policy
 - Information Sensitivity Policy
 - Laptop Security Tips
 - Password Policy
 - Remote Access Policy
 - Virtual Private Network Policy
 - Wireless Access Policy
 - Workstation Security Policy
- Management reviews and updates as necessary all policies annually.
- Employees are required to provide signature as acknowledgement of receipt of and agreement to all of the Information Systems policies.
- Background check is performed on new employees as a condition of hire.
- Applicants have a structured application process which includes an interview and application.
- All new employees receive a copy of the employee handbook and must sign a statement of acknowledgement.

Control Objective 2: Controls provide reasonable assurance that the operating and financial viability are assessed and reviewed by management.

Controls Specified by BGMailing:

- Financial reports are prepared and reviewed on a monthly basis.
- Results of reviews are reported to management.
- Policies and procedures are updated, reviewed and approved on an annual basis.
- Significant investments in technology are evaluated by management as part of the strategic planning and budgeting process.
- Reasonable and adequate amounts of insurance are kept to protect the Company against major threats.

BlueGrass Mailing Data & Fulfillment Services
Control Objectives and Related Controls (Continued)
May 31, 2011

Information Provided by Service Auditor (Continued)

Control Objective 3: Controls provide reasonable assurance that deployed systems operate as intended by requiring authorization, approval and testing of changes prior to their migration to production.

Controls Specified by BGMailing:

- Management has established change management procedures.
- Production environments are restricted to appropriate personnel.
- Data Center manager approves accounts with direct access to production data and reviews these accounts twice a year.
- Data Center manager performs an impact analysis to determine what will be affected by the change.
- Data Center manager develops a back out plan to undo the change in the event of an unsuccessful implementation.
- Data Center manager approves all moves to production environment.
- Servers are reviewed by the Data Center manager at least monthly for updates.
- Customer must review for accuracy and integrity of new service setup/configuration and provide approval prior to its final implementation.
- Access to tools and utilities for data manipulation is restricted.

Control Objective 4: Controls provide reasonable assurance that access to systems, hardware and other media is limited to properly authorized individuals.

Controls Specified by BGMailing:

- Management has implemented a password policy to prevent unauthorized access to software systems.
- Passwords are required for obtaining access to BG Mailing information systems.
- On the domain, passwords are required to be at least six characters in length, and three of the four complexity parameters: uppercase, lowercase, digit and special character.
- Upon five invalid login attempts within thirty minutes the account will be locked out until reset by administrator.
- Passwords are required to be changed every ninety days and minimum password life is seven days.
- Workstations and server console automatically locks after 10 minutes or inactivity.
- User access is based on job related access is granted or modified by the IT department after approval from Human Resources or his/her manager.
- User access is revoked immediately upon termination of employment.
- Domain and operational application user access reviews are performed annually.
- Administrator access accounts are restricted in number and limited to appropriate personal.
- Banner displays at login notifying user of security expectations.
- Segregation of duties exists within the IT department.

Control Objective 5: Controls provide reasonable assurance that access to facilities is restricted to authorized personnel and appropriate identification and authentication is required to gain access.

Controls Specified by BGMailing:

- Visitors must sign in at front desk and subsequently escorted throughout facility
- Servers and significant system hardware is located in a secure environment, restricted to authorized access only.
- Environmental factors of server room are monitored and alerts sent to management as needed.
- Server console automatically locks after 10 minutes or inactivity.

BlueGrass Mailing Data & Fulfillment Services
Control Objectives and Related Controls (Continued)
May 31, 2011

Information Provided by Service Auditor (Continued)

Control Objective 6: Controls provide reasonable assurance that information systems and technology are protected from computer viruses.

Controls Specified by BGMailing:

- IT management has established procedures across the organization to protect information systems and technology from computer viruses.
- All workstations (desktops/laptops) are protected with an active and regularly updated virus protection system. This includes protection of general data as well as emails.
- Updates are applied automatically on a daily basis to ensure the most current virus signatures and application code are in place.

Control Objective 7: Controls provide reasonable assurance that data integrity and access control incidents are mitigated.

Controls Specified by BGMailing:

- IT management has defined and implemented a problem management system such that data integrity and access control incidents are recorded, analyzed, resolved and reported in a timely manner.
- Firewall is implemented to protect customer data unauthorized access.
- Firewall vulnerabilities are assessed at least twice annually.
- Domain controller events are logged and reviewed daily.
- Use of a 2D barcode and camera processing system as a quality control mechanism

Control Objective 8: Controls provide reasonable assurance that BGMailing protects sensitive information, logically and physically, in storage and during transmission, against unauthorized access or modification.

Controls Specified by BGMailing:

- Laptops are encrypted and secured with locking cables when not in use.
- Customers access and transmit data through a secured FTP.
- Management will remote wipe or set back to factory standards company mobile devices, such as smart phones, in the event the device is lost or stolen.

Control Objective 9: Controls provide reasonable assurance that critical data is backed-up and protected.

Controls Specified by BGMailing:

- Management has implemented a strategy for cyclical backup of data and programs.
- Weekly full backups are retained for one week.
- Differential backups are retained for one month.
- Monthly backups are retained for three months.
- Business Continuity and Disaster Recovery Plans ("BCP/DR plan") list the following:
 - Emergency contact information,
 - Multiple off-site storage locations of the plan,
 - Alternative processing center(s),
 - Essential server hardware
- BCP/DR testing is performed at least annually and covers key scenarios.
- Restoration testing is performed at least semi-annually to test the backup media.

**BlueGrass Mailing Data & Fulfillment Services
Control Objectives and Related Controls (Continued)
May 31, 2011**

Information Provided by Service Auditor (Continued)

Control Objective 10: Controls provide reasonable assurance that chronological system event data is captured and retained.

Controls Specified by BGMailing:

- System event data is retained to provide chronological information and logs to enable the review, examination and reconstruction of system and data processing to ensure completeness and timeliness of reporting and resolving events.
- Logs are maintained on internal systems, but not directly monitored unless an exception is reported.

Section IV

Other Information provided by BlueGrass Mailing, Data & Fulfillment Services (Unaudited)

1 Disaster Recovery Plan Overview

1.1 Plan Updating

It is necessary for the Disaster Recovery Plan (DRP) updating process to be properly structured and controlled. Whenever changes are made to the plan they are to be fully tested and appropriate amendments should be made to the training materials. This will involve the use of formalized change control procedures.

1.2 Plan Documentation Storage

Copies of this Plan and a CD containing it will be stored in secure locations to be defined by the Company. Each member of senior management will be issued a CD and hard copy of this plan to be filed at home. Each member of the Disaster Recovery Team will be issued a CD and hard copy of this plan to be filed at home. A master protected copy will be stored on specific resources established for this purpose.

1.3 Backup Strategy

The strategy to protect key business processes is for the data to be stored offsite and be restorable in accordance with the *Data Backup Policy*.

1.4 Risk Management

There are many potential disruptive threats which can occur at any time and affect the normal business process. We have considered a wide range of potential threats and the results of our deliberations are included in this section. Each potential environmental disaster or emergency situation has been examined. The focus here is on the level of business disruption which could arise from each type of disaster.

Potential disasters have been assessed as follows:

Potential Disaster	Probability Rating	Impact Rating	Brief Description Of Potential Consequences & Remedial Actions
Flood	4	3	All critical equipment is located on 1st Floor
Fire	3	3	
Tornado	3	3	
Electrical storms	3	3	
Electrical power failure	3	3	

Probability: 1=Very High, 5=Very Low

Impact: 1=Total destruction, 5=Minor annoyance

Disaster Recovery Plan Overview (Continued)

2 Emergency Response

2.1 Alert, escalation and plan invocation

2.1.1 Plan Triggering Events

Key trigger issues that would lead to activation of the DRP are:

- Total loss of power
- Fire
- Flooding of the premises
- Loss of the building

2.1.2 Assembly Points

When the premises need to be evacuated, the DRP invocation plan identifies two evacuation assembly points:

- Primary - Far end of main parking lot;
- Alternate - Parking lot of company across the street

2.1.3 Activation of Emergency Response Team

When an incident occurs the Emergency Response Team (ERT) must be activated. The ERT will then decide the extent to which the DRP must be invoked. All employees must be issued a Quick Reference card containing ERT contact details to be used in the event of a disaster. Responsibilities of the ERT are to:

- Respond immediately to a potential disaster and call emergency services;
- Assess the extent of the disaster and its impact on the business, data center, etc.;
- Decide which elements of the DRP should be activated;
- Establish and manage disaster recovery team to maintain vital services and return to normal operation;
- Ensure employees are notified and allocate responsibilities and activities as required.

2.2 Disaster Recovery Team (DRT)

The team will be contacted and assembled by the ERT. The team's responsibilities include:

- Restore key services within 12 - 24 business hours of the incident, if possible;
- Recover to business as usual as time and conditions permit;
- Coordinate activities with disaster recovery team, first responders, etc.
- Report to the ERT.

2.3 Emergency Alert, Escalation and DRP Activation

This plan has been established to ensure that in the event of a disaster or crisis, personnel will have a clear understanding of who should be contacted. Procedures have been addressed to ensure that communications can be quickly established while activating disaster recovery.

The DRP will rely principally on key members of management and staff who will provide the technical and management skills necessary to achieve a smooth technology and business recovery.

Disaster Recovery Plan Overview (Continued)

2.3.1 Emergency Alert

The person discovering the incident calls a member of the ERT in the order listed:

- Bill Nichols

If not available try:

- Bob Allen
- Den Brown

The ERT is responsible for activating the DRP for disasters identified in this plan, as well as in the event of any other occurrence that affects the Company's capability to perform normally.

One of the tasks during the early stages of the emergency is to notify the DRT that an emergency has occurred. The notification will request DRT members to assemble at the site of the problem and will involve sufficient information to have this request effectively communicated. The Business Recovery Team (BRT) will consist of senior representatives from the main business departments. The BRT Leader will be a senior member of the Company's management team, and will be responsible for taking overall charge of the process and ensuring the Company returns to normal working operations as early as possible.

2.3.2 DR Procedures for Management

Members of the management team will keep a hard copy of the names and contact numbers of each employee in their departments. In addition, management team members will have a hard copy of the Company's disaster recovery and business continuity plans on file in their homes in the event that the headquarters building is inaccessible, unusable, or destroyed.

Disaster Recovery Plan Overview (Continued)

2.3.3 Contact with Employees

Managers will serve as the focal points for their departments, while designated employees will call other employees to discuss the crisis/disaster and the Company's immediate plans. Employees who cannot reach staff on their call list are advised to call the staff member's emergency contact to relay information on the disaster.

2.3.4 Backup Staff

If a manager or staff member designated to contact other staff members is unavailable or incapacitated, the designated backup staff member will perform notification duties.

2.3.5 Personnel and Family Notification

If the incident has resulted in a situation which would cause concern to an employee's immediate family such as hospitalization of injured persons, it will be necessary to notify their immediate family members quickly.

3 Media

3.1 Media Contact

Assigned staff will coordinate with the media, working according to guidelines that have been previously approved and issued for dealing with post-disaster communications.

3.2 Media Strategies

1. Avoiding adverse publicity
2. Take advantage of opportunities for useful publicity
3. Have answers to the following basic questions:
 - What happened?
 - How did it happen?
 - What are you going to do about it?

3.3 Media Team

- Bill Nichols
- Tanya Wilson
- Tom Patterson

3.4 Rules for Dealing with Media

Only the media team is permitted direct contact with the media; anyone else contacted should refer callers or in-person media representatives to the media team.

Disaster Recovery Plan Overview (Continued)

4 Insurance

As part of the Company's disaster recovery and business continuity strategies a number of insurance policies have been put in place. These include general liability and business interruption insurance.

5 Financial and Legal Issues

5.1 Financial Assessment

The ERT shall prepare an initial assessment of the impact of the incident on the financial affairs of the Company. The assessment should include:

- Loss of financial documents
- Loss of revenue
- Theft of check books, credit cards, etc.
- Loss of cash

5.2 Financial Requirements

The immediate financial needs of the Company must be addressed. These can include:

- Cash flow position
- Temporary borrowing capability
- Upcoming payments for taxes, payroll taxes, Social Security, etc.
- Availability of company credit cards to pay for supplies and services required post-disaster

5.3 Legal Actions

The Company legal department and ERT will jointly review the aftermath of the incident and decide whether there may be legal actions resulting from the event; in particular, the possibility of claims by or against the Company for regulatory violations, etc.

6 Business Continuity

Business continuity is of the utmost importance to us. In the event of an incident, efforts will be made to resume key business operations within 12 - 24 hours. If that is not feasible, other avenues of recovery will be explored.

