

ATTACHMENT 1

Form A Bidder Proposal Point of Contact Request for Proposal Number 113578 O3

Form A should be completed and submitted with each response to this solicitation. This is intended to provide the State with information on the bidder's name and address, and the specific person(s) who are responsible for preparation of the bidder's response.

| Preparation of Response Contact Information | |
|---|-------------------------------------|
| Bidder Name: | DATAMARK |
| Bidder Address: | 123 W. Mills Ave. El Paso, TX 79901 |
| Contact Person & Title: | Matthew Rupe, Director of Sales |
| E-mail Address: | Matthew.rupe@datamark.net |
| Telephone Number (Office): | 330-881-3867 |
| Telephone Number (Cellular): | 330-881-3867 |
| Fax Number: | |

Each bidder should also designate a specific contact person who will be responsible for responding to the State if any clarifications of the bidder's response should become necessary. This will also be the person who the State contacts to set up a presentation/demonstration, if required.

| Communication with the State Contact Information | |
|--|-------------------------------------|
| Bidder Name: | DATAMARK |
| Bidder Address: | 123 W. Mills Ave. El Paso, TX 79901 |
| Contact Person & Title: | Matthew Rupe, Director of Sales |
| E-mail Address: | Matthew.rupe@datamark.net |
| Telephone Number (Office): | 330-881-3867 |
| Telephone Number (Cellular): | 330-881-3867 |
| Fax Number: | |

ATTACHMENT 2

FORM B

REQUEST FOR PROPOSAL FOR CONTRACTUAL SERVICES FORM

BIDDER MUST COMPLETE THE FOLLOWING

By signing this Request for Proposal for Contractual Services form, the bidder guarantees compliance with the procedures stated in this Solicitation, and agrees to the terms and conditions unless otherwise indicated in writing and certifies that bidder maintains a drug free work place.

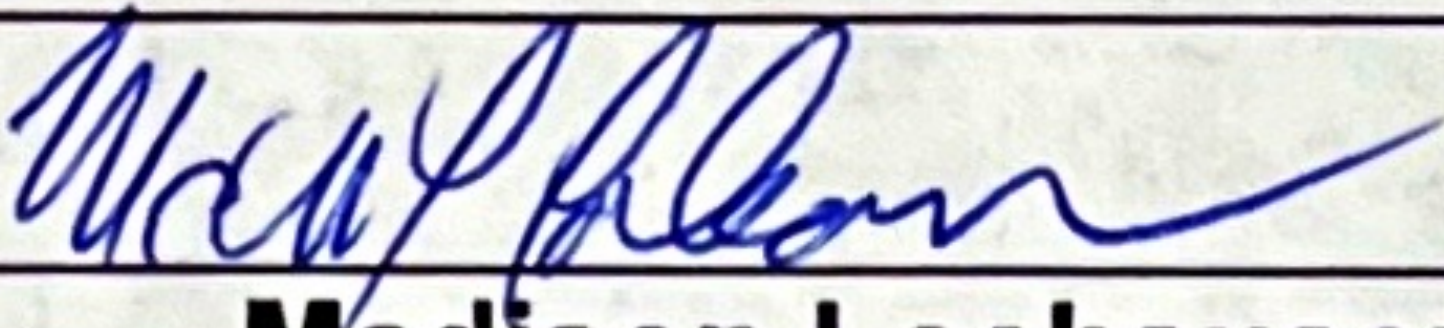
Per Nebraska's Transparency in Government Procurement Act, Neb. Rev Stat § 73-603 DAS is required to collect statistical information regarding the number of contracts awarded to Nebraska Contractors. This information is for statistical purposes only and will not be considered for contract award purposes.

_____ NEBRASKA CONTRACTOR AFFIDAVIT: Bidder hereby attests that bidder is a Nebraska Contractor. "Nebraska Contractor" shall mean any bidder who has maintained a bona fide place of business and at least one employee within this state for at least the six (6) months immediately preceding the posting date of this Solicitation.

_____ I hereby certify that I am a Resident disabled veteran or business located in a designated enterprise zone in accordance with Neb. Rev. Stat. § 73-107 and wish to have preference, if applicable, considered in the award of this contract.

_____ I hereby certify that I am a blind person licensed by the Commission for the Blind & Visually Impaired in accordance with Neb. Rev. Stat. §71-8611 and wish to have preference considered in the award of this contract.

FORM MUST BE SIGNED MANUALLY IN INK OR BY DOCUSIGN

| | |
|-------------------------------|---|
| FIRM: | DATAMARK, Inc. |
| COMPLETE ADDRESS: | 123 West Mills Ave, Suite 400 El Paso, TX 79901 |
| TELEPHONE NUMBER: | (915) 275-0283 |
| FAX NUMBER: | 1-866-480-5009 |
| DATE: | 12/5/2022 |
| SIGNATURE: |  |
| TYPED NAME & TITLE OF SIGNER: | Madison Lochausen |

II. TERMS AND CONDITIONS

Bidders should complete Sections II through VII as part of their proposal. Bidder should read the Terms and Conditions and should initial either accept, reject, or reject and provide alternative language for each clause. The bidder should also provide an explanation of why the bidder rejected the clause or rejected the clause and provided alternate language. By signing the solicitation, bidder is agreeing to be legally bound by all the accepted terms and conditions, and any proposed alternative terms and conditions submitted with the proposal. The State reserves the right to negotiate rejected or proposed alternative language. If the State and bidder fail to agree on the final Terms and Conditions, the State reserves the right to reject the proposal. The State of Nebraska is soliciting proposals in response to this solicitation. The State of Nebraska reserves the right to reject proposals that attempt to substitute the bidder's commercial contracts and/or documents for this solicitation.

The bidders should submit with their proposal any license, user agreement, service level agreement, or similar documents that the bidder wants incorporated in the Contract. The State will not consider incorporation of any document not submitted with the bidder's proposal as the document will not have been included in the evaluation process. These documents shall be subject to negotiation and will be incorporated as addendums if agreed to by the Parties.

If a conflict or ambiguity arises after the Addendum to Contract Award have been negotiated and agreed to, the Addendum to Contract Award shall be interpreted as follows:

1. If only one Party has a particular clause then that clause shall control;
2. If both Parties have a similar clause, but the clauses do not conflict, the clauses shall be read together;
3. If both Parties have a similar clause, but the clauses conflict, the State's clause shall control.

A. GENERAL

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| MJ | | | |

The contract resulting from this solicitation shall incorporate the following documents:

1. Request for Proposal and Addenda;
2. Amendments to the solicitation;
3. Questions and Answers;
4. Contractor's proposal (Contractor's response to the solicitation and properly submitted documents); and
5. Amendments/Addendums to the Contract.

These documents constitute the entirety of the contract.

Unless otherwise specifically stated in a future contract amendment, in case of any conflict between the incorporated documents, the documents shall govern in the following order of preference with number one (1) receiving preference over all other documents and with each lower numbered document having preference over any higher numbered document: 1) Amendment to the executed Contract with the most recent dated amendment having the highest priority, 2) executed Contract and any attached Addenda, 3) Amendments to solicitation and any Questions and Answers, 4) the original solicitation document and any Addenda, and 5) the Contractor's submitted Proposal.

Any ambiguity or conflict in the contract discovered after its execution, not otherwise addressed herein, shall be resolved in accordance with the rules of contract interpretation as established in the State of Nebraska.

B. NOTIFICATION

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>mf</i> | | | |

Bidder and State shall identify the contract manager who shall serve as the point of contact for the executed contract.

Communications regarding the executed contract shall be in writing and shall be deemed to have been given if delivered personally or mailed, by U.S. Mail, postage prepaid, return receipt requested, to the parties at their respective addresses set forth below, or at such other addresses as may be specified in writing by either of the parties. All notices, requests, or communications shall be deemed effective upon personal delivery or five (5) calendar days following deposit in the mail.

Either party may change its address for notification purposes by giving notice of the change, and setting forth the new address and an effective date.

C. NOTICE (POC)

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>mf</i> | | | |

The State reserves the right to appoint a Contract Manager to manage the contract on behalf of the State. The Contract Manager will be appointed in writing, and the appointment document will specify the extent of the Contract Manager authority and responsibilities. If a Contract Manager is appointed, the Contractor will be notified, and is expected to cooperate accordingly with the Contract Manager. The Contract Manager has no authority to bind the State to a contract, amendment, addendum, or other change or addition to the contract.

D. GOVERNING LAW (Statutory)

Notwithstanding any other provision of this contract, or any amendment or addendum(s) entered into contemporaneously or at a later time, the parties understand and agree that, (1) the State of Nebraska is a sovereign state and its authority to contract is therefore subject to limitation by the State's Constitution, statutes, common law, and regulation; (2) this contract will be interpreted and enforced under the laws of the State of Nebraska; (3) any action to enforce the provisions of this agreement must be brought in the State of Nebraska per state law; (4) the person signing this contract on behalf of the State of Nebraska does not have the authority to waive the State's sovereign immunity, statutes, common law, or regulations; (5) the indemnity, limitation of liability, remedy, and other similar provisions of the final contract, if any, are entered into subject to the State's Constitution, statutes, common law, regulations, and sovereign immunity; and, (6) all terms and conditions of the final contract, including but not limited to the clauses concerning third party use, licenses, warranties, limitations of liability, governing law and venue, usage verification, indemnity, liability, remedy or other similar provisions of the final contract are entered into specifically subject to the State's Constitution, statutes, common law, regulations, and sovereign immunity.

The Parties must comply with all applicable local, state and federal laws, ordinances, rules, orders, and regulations.

E. BEGINNING OF WORK

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>mf</i> | | | |

The awarded bidder shall not commence any billable work until a valid contract has been fully executed by the State. The Contractor will be notified in writing when work may begin.

F. AMENDMENT

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>mf</i> | | | |

This Contract may be amended in writing, within scope, upon the agreement of both parties.

G. CHANGE ORDERS OR SUBSTITUTIONS

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>mf</i> | | | |

The State and the Contractor, upon the written agreement, may make changes to the contract within the general scope of the solicitation. Changes may involve specifications, the quantity of work, or such other items as the State may find necessary or desirable. Corrections of any deliverable, service, or work required pursuant to the contract shall not be deemed a change. The Contractor may not claim forfeiture of the contract by reasons of such changes.

The Contractor shall prepare a written description of the work required due to the change and an itemized cost proposal sheet for the change. Changes in work and the amount of compensation to be paid to the Contractor shall be determined in accordance with applicable unit prices if any, a pro-rated value, or through negotiations. The State shall not incur a price increase for changes that should have been included in the Contractor's proposal, were foreseeable, or result from difficulties with or failure of the Contractor's proposal or performance.

No change shall be implemented by the Contractor until approved by the State, and the Contract is amended to reflect the change and associated costs, if any. If there is a dispute regarding the cost, but both parties agree that immediate implementation is necessary, the change may be implemented, and cost negotiations may continue with both Parties retaining all remedies under the contract and law.

In the event any product is discontinued or replaced upon mutual consent during the contract period or prior to delivery, the State reserves the right to amend the contract or purchase order to include the alternate product at the same price.

*****Contractor will not substitute any item that has been awarded without prior written approval of DHHS*****

H. VENDOR PERFORMANCE REPORT(S)

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>mf</i> | | | |

The State may document any instance(s) of products or services delivered or performed which exceed or fail to meet the terms of the purchase order, contract, and/or solicitation specifications. The State Purchasing Bureau may contact the Vendor regarding any such report. Vendor performance report(s) will become a part of the permanent record of the Vendor.

I. NOTICE OF POTENTIAL CONTRACTOR BREACH

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>mf</i> | | | |

If Contractor breaches the contract or anticipates breaching the contract, the Contractor shall immediately give written notice to the State. The notice shall explain the breach or potential breach, a proposed cure, and may include a request for a waiver of the breach if so desired. The State may, in its discretion, temporarily or permanently waive the breach. By granting a waiver, the State does not forfeit any rights or remedies to which the State is entitled by law or equity, or pursuant to the provisions of the contract. Failure to give immediate notice, however, may be grounds for denial of any request for a waiver of a breach.

J. BREACH

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>mf</i> | | | |

Either Party may terminate the contract, in whole or in part, if the other Party breaches its duty to perform its obligations under the contract in a timely and proper manner. Termination requires written notice of default and a thirty (30) calendar day (or longer at the non-breaching Party's discretion considering the gravity and nature of the default) cure period. Said notice shall be delivered by Certified Mail, Return Receipt Requested, or in person with proof of delivery. Allowing time to cure a failure or breach of contract does not waive the right to immediately terminate the contract for the same or different contract breach which may occur at a different time. In case of default of the Contractor, the State may contract the service from other sources and hold the Contractor responsible for any excess cost occasioned thereby. The State may recover from the Contractor as damages the difference between the costs of covering the breach. Notwithstanding any clause to the contrary, the State may also recover the contract price together with any incidental or consequential damages defined in UCC Section 2-715, but less expenses saved in consequence of Contractor's breach.

The State's failure to make payment shall not be a breach, and the Contractor shall retain all available statutory remedies and protections.

K. NON-WAIVER OF BREACH

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| MJ | | | |

The acceptance of late performance with or without objection or reservation by a Party shall not waive any rights of the Party nor constitute a waiver of the requirement of timely performance of any obligations remaining to be performed.

L. SEVERABILITY

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| MJ | | | |

If any term or condition of the contract is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and conditions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the contract did not contain the provision held to be invalid or illegal.

M. INDEMNIFICATION

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| MJ | | | |

1. GENERAL

The Contractor agrees to defend, indemnify, and hold harmless the State and its employees, volunteers, agents, and its elected and appointed officials ("the indemnified parties") from and against any and all third party claims, liens, demands, damages, liability, actions, causes of action, losses, judgments, costs, and expenses of every nature, including investigation costs and expenses, settlement costs, and attorney fees and expenses ("the claims"), sustained or asserted against the State for personal injury, death, or property loss or damage, arising out of, resulting from, or attributable to the willful misconduct, negligence, error, or omission of the Contractor, its employees, Subcontractors, consultants, representatives, and agents, resulting from this contract, except to the extent such Contractor liability is attenuated by any action of the State which directly and proximately contributed to the claims.

2. INTELLECTUAL PROPERTY

The Contractor agrees it will, at its sole cost and expense, defend, indemnify, and hold harmless the indemnified parties from and against any and all claims, to the extent such claims arise out of, result from, or are attributable to, the actual or alleged infringement or misappropriation of any patent, copyright, trade secret, trademark, or confidential information of any third party by the Contractor or its employees, Subcontractors, consultants, representatives, and agents; provided, however, the State gives the Contractor prompt notice in writing of the claim. The Contractor may not settle any infringement claim that will affect the State's use of the Licensed Software without the State's prior written consent, which consent may be withheld for any reason.

If a judgment or settlement is obtained or reasonably anticipated against the State's use of any intellectual property for which the Contractor has indemnified the State, the Contractor shall, at the Contractor's sole cost and expense, promptly modify the item or items which were determined to be infringing, acquire a license or licenses on the State's behalf to provide the necessary rights to the State to eliminate the infringement, or provide the State with a non-infringing substitute that provides the State the same functionality. At the State's election, the actual or anticipated judgment may be treated as a breach of warranty by the Contractor, and the State may receive the remedies provided under this solicitation.

3. PERSONNEL

The Contractor shall, at its expense, indemnify and hold harmless the indemnified parties from and against any claim with respect to withholding taxes, worker's compensation, employee benefits, or any other claim, demand, liability, damage, or loss of any nature relating to any of the personnel, including subcontractor's and their employees, provided by the Contractor.

4. SELF-INSURANCE

The State of Nebraska is self-insured for any loss and purchases excess insurance coverage pursuant to Neb. Rev. Stat. § 81-8,239.01 (Reissue 2008). If there is a presumed loss under the provisions of this agreement, Contractor may file a claim with the Office of Risk Management pursuant to Neb. Rev. Stat. §§ 81-8,829 – 81-8,306 for review by the State Claims Board. The State retains all rights and immunities under the State Miscellaneous (§ 81-8,294), Tort (§ 81-8,209), and Contract Claim Acts (§ 81-8,302), as outlined in Neb. Rev. Stat. § 81-8,209 et seq. and under any other provisions of law and accepts liability under this agreement to the extent provided by law.

5. The Parties acknowledge that Attorney General for the State of Nebraska is required by statute to represent the legal interests of the State, and that any provision of this indemnity clause is subject to the statutory authority of the Attorney General.

N. ATTORNEY'S FEES

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>MJ</i> | | | |

In the event of any litigation, appeal, or other legal action to enforce any provision of the contract, the Parties agree to pay all expenses of such action, as permitted by law and if ordered by the court, including attorney's fees and costs, if the other Party prevails.

O. ASSIGNMENT, SALE, OR MERGER

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>MJ</i> | | | |

Either Party may assign the contract upon mutual written agreement of the other Party. Such agreement shall not be unreasonably withheld.

The Contractor retains the right to enter into a sale, merger, acquisition, internal reorganization, or similar transaction involving Contractor's business. Contractor agrees to cooperate with the State in executing amendments to the contract to allow for the transaction. If a third party or entity is involved in the transaction, the Contractor will remain responsible for performance of the contract until such time as the person or entity involved in the transaction agrees in writing to be contractually bound by this contract and perform all obligations of the contract.

P. FORCE MAJEURE

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|---------------------|---------------------|--|-----------------|
| MJ | | | |

Neither Party shall be liable for any costs or damages, or for default resulting from its inability to perform any of its obligations under the contract due to a natural or manmade event outside the control and not the fault of the affected Party ("Force Majeure Event"). The Party so affected shall immediately make a written request for relief to the other Party, and shall have the burden of proof to justify the request. The other Party may grant the relief requested; relief may not be unreasonably withheld. Labor disputes with the impacted Party's own employees will not be considered a Force Majeure Event.

Q. CONFIDENTIALITY

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|---------------------|---------------------|--|-----------------|
| MJ | | | |

All materials and information provided by the Parties or acquired by a Party on behalf of the other Party shall be regarded as confidential information. All materials and information provided or acquired shall be handled in accordance with federal and state law, and ethical standards. Should said confidentiality be breached by a Party, the Party shall notify the other Party immediately of said breach and take immediate corrective action.

It is incumbent upon the Parties to inform their officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a (j)(1), which is made applicable by 5 U.S.C. 552a (m)(1), provides that any officer or employee, who by virtue of his/her employment or official position has possession of or access to agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than \$5,000.

R. OFFICE OF PUBLIC COUNSEL (Statutory)

If it provides, under the terms of this contract and on behalf of the State of Nebraska, health and human services to individuals; service delivery; service coordination; or case management, Contractor shall submit to the jurisdiction of the Office of Public Counsel, pursuant to Neb. Rev. Stat. §§ 81-8,240 et seq. This section shall survive the termination of this contract.

S. LONG-TERM CARE OMBUDSMAN (Statutory)

Contractor must comply with the Long-Term Care Ombudsman Act, per Neb. Rev. Stat. §§ 81-2237 et seq. This section shall survive the termination of this contract.

T. EARLY TERMINATION

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| MJ | | | |

The contract may be terminated as follows:

1. The State and the Contractor, by mutual written agreement, may terminate the contract at any time.
2. The State, in its sole discretion, may terminate the contract for any reason upon thirty (30) calendar day's written notice to the Contractor. Such termination shall not relieve the Contractor of warranty or other service obligations incurred under the terms of the contract. In the event of termination the Contractor shall be entitled to payment, determined on a pro rata basis, for products or services satisfactorily performed or provided.
3. The State may terminate the contract immediately for the following reasons:
 - a. if directed to do so by statute;
 - b. Contractor has made an assignment for the benefit of creditors, has admitted in writing its inability to pay debts as they mature, or has ceased operating in the normal course of business;
 - c. a trustee or receiver of the Contractor or of any substantial part of the Contractor's assets has been appointed by a court;
 - d. fraud, misappropriation, embezzlement, malfeasance, misfeasance, or illegal conduct pertaining to performance under the contract by its Contractor, its employees, officers, directors, or shareholders;
 - e. an involuntary proceeding has been commenced by any Party against the Contractor under any one of the chapters of Title 11 of the United States Code and (i) the proceeding has been pending for at least sixty (60) calendar days; or (ii) the Contractor has consented, either expressly or by operation of law, to the entry of an order for relief; or (iii) the Contractor has been decreed or adjudged a debtor;
 - f. a voluntary petition has been filed by the Contractor under any of the chapters of Title 11 of the United States Code;
 - g. Contractor intentionally discloses confidential information;
 - h. Contractor has or announces it will discontinue support of the deliverable; and,
 - i. In the event funding is no longer available.

U. CONTRACT CLOSEOUT

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| MJ | | | |

Upon contract closeout for any reason the Contractor shall within 30 days, unless stated otherwise herein:

1. Transfer all completed or partially completed deliverables to the State;
2. Transfer ownership and title to all completed or partially completed deliverables to the State;
3. Return to the State all information and data, unless the Contractor is permitted to keep the information or data by contract or rule of law. Contractor may retain one copy of any information or data as required to comply with applicable work product documentation standards or as are automatically retained in the course of Contractor's routine back up procedures;
4. Cooperate with any successor Contractor, person or entity in the assumption of any or all of the obligations of this contract;

5. Cooperate with any successor Contactor, person or entity with the transfer of information or data related to this contract;
6. Return or vacate any state owned real or personal property; and,
7. Return all data in a mutually acceptable format and manner.

Nothing in this Section should be construed to require the Contractor to surrender intellectual property, real or personal property, or information or data owned by the Contractor for which the State has no legal claim.

III. CONTRACTOR DUTIES

A. INDEPENDENT CONTRACTOR / OBLIGATIONS

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| MS | | | |

It is agreed that the Contractor is an independent contractor and that nothing contained herein is intended or should be construed as creating or establishing a relationship of employment, agency, or a partnership.

The Contractor is solely responsible for fulfilling the contract. The Contractor or the Contractor's representative shall be the sole point of contact regarding all contractual matters.

The Contractor shall secure, at its own expense, all personnel required to perform the services under the contract. The personnel the Contractor uses to fulfill the contract shall have no contractual or other legal relationship with the State; they shall not be considered employees of the State and shall not be entitled to any compensation, rights or benefits from the State, including but not limited to, tenure rights, medical and hospital care, sick and vacation leave, severance pay, or retirement benefits.

By-name personnel commitments made in the Contractor's proposal shall not be changed without the prior written approval of the State. Replacement of these personnel, if approved by the State, shall be with personnel of equal or greater ability and qualifications.

All personnel assigned by the Contractor to the contract shall be employees of the Contractor or a subcontractor and shall be fully qualified to perform the work required herein. Personnel employed by the Contractor or a subcontractor to fulfill the terms of the contract shall remain under the sole direction and control of the Contractor or the subcontractor respectively.

With respect to its employees, the Contractor agrees to be solely responsible for the following:

1. Any and all pay, benefits, and employment taxes and/or other payroll withholding;
2. Any and all vehicles used by the Contractor's employees, including all insurance required by state law;
3. Damages incurred by Contractor's employees within the scope of their duties under the contract;
4. Maintaining Workers' Compensation and health insurance that complies with state and federal law and submitting any reports on such insurance to the extent required by governing law;
5. Determining the hours to be worked and the duties to be performed by the Contractor's employees; and,
6. All claims on behalf of any person arising out of employment or alleged employment (including without limit claims of discrimination alleged against the Contractor, its officers, agents, or subcontractors or subcontractor's employees)

If the Contractor intends to utilize any subcontractor, the subcontractor's level of effort, tasks, and time allocation should be clearly defined in the contractor's proposal. The Contractor shall agree that it will not utilize any subcontractors not specifically included in its proposal in the performance of the contract without the prior written authorization of the State.

The State reserves the right to require the Contractor to reassign or remove from the project any Contractor or subcontractor employee.

Contractor shall insure that the terms and conditions contained in any contract with a subcontractor does not conflict with the terms and conditions of this contract.

The Contractor shall include a similar provision, for the protection of the State, in the contract with any Subcontractor engaged to perform work on this contract.

B. EMPLOYEE WORK ELIGIBILITY STATUS

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>MJ</i> | | | |

The Contractor is required and hereby agrees to use a federal immigration verification system to determine the work eligibility status of employees physically performing services within the State of Nebraska. A federal immigration verification system means the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, 8 U.S.C. 1324a, known as the E-Verify Program, or an equivalent federal program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work eligibility status of an employee.

If the Contractor is an individual or sole proprietorship, the following applies:

1. The Contractor must complete the United States Citizenship Attestation Form, available on the Department of Administrative Services website at https://das.nebraska.gov/materiel/purchase_bureau/vendor-info.html
2. The completed United States Attestation Form should be submitted with the solicitation response.
3. If the Contractor indicates on such attestation form that he or she is a qualified alien, the Contractor agrees to provide the US Citizenship and Immigration Services documentation required to verify the Contractor's lawful presence in the United States using the Systematic Alien Verification for Entitlements (SAVE) Program.
4. The Contractor understands and agrees that lawful presence in the United States is required and the Contractor may be disqualified or the contract terminated if such lawful presence cannot be verified as required by Neb. Rev. Stat. §4-108.

C. COMPLIANCE WITH CIVIL RIGHTS LAWS AND EQUAL OPPORTUNITY EMPLOYMENT / NONDISCRIMINATION (Statutory)

The Contractor shall comply with all applicable local, state, and federal statutes and regulations regarding civil rights laws and equal opportunity employment. The Nebraska Fair Employment Practice Act prohibits Contractors of the State of Nebraska, and their Subcontractors, from discriminating against any employee or applicant for employment, with respect to hire, tenure, terms, conditions, compensation, or privileges of employment because of race, color, religion, sex, disability, marital status, or national origin (Neb. Rev. Stat. §48-1101 to 48-1125). The Contractor guarantees compliance with the Nebraska Fair Employment Practice Act, and breach of this provision shall be regarded as a material breach of contract. The Contractor shall insert a similar provision in all Subcontracts for goods and services to be covered by any contract resulting from this solicitation.

D. COOPERATION WITH OTHER CONTRACTORS

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>MJ</i> | | | |

Contractor may be required to work with other contractors or individuals that may be working on same or different projects. The Contractor shall agree to cooperate with such other contractors or individuals, and shall not commit or permit any act which may interfere with the performance of work by any other contractor or individual. Contractor is not required to compromise Contractor's intellectual property or proprietary information unless expressly required to do so by this contract.

E. PERMITS, REGULATIONS, LAWS

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>MJ</i> | | | |

The contract price shall include the cost of all royalties, licenses, permits, and approvals, whether arising from patents, trademarks, copyrights or otherwise, that are in any way involved in the contract. The Contractor shall obtain and pay for all royalties, licenses, and permits, and approvals necessary for the execution of the contract. The Contractor must guarantee that it has the full legal right to the materials, supplies, equipment, software, and other items used to execute this contract.

F. OWNERSHIP OF INFORMATION AND DATA / DELIVERABLES

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>MJ</i> | | | |

The State shall have the unlimited right to publish, duplicate, use, and disclose all information and data developed or obtained by the Contractor on behalf of the State pursuant to this contract.

The State shall own and hold exclusive title to any deliverable developed as a result of this contract. Contractor shall have no ownership interest or title, and shall not patent, license, or copyright, duplicate, transfer, sell, or exchange, the design, specifications, concept, or deliverable.

G. INSURANCE REQUIREMENTS

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>MJ</i> | | | |

The Contractor shall throughout the term of the contract maintain insurance as specified herein and provide the State a current Certificate of Insurance/Acord Form (COI) verifying the coverage. The Contractor shall not commence work on the contract until the insurance is in place. If Contractor subcontracts any portion of the Contract the Contractor must, throughout the term of the contract, either:

1. Provide equivalent insurance for each subcontractor and provide a COI verifying the coverage for the subcontractor;
2. Require each subcontractor to have equivalent insurance and provide written notice to the State that the Contractor has verified that each subcontractor has the required coverage; or,
3. Provide the State with copies of each subcontractor's Certificate of Insurance evidencing the required coverage.

The Contractor shall not allow any Subcontractor to commence work until the Subcontractor has equivalent insurance. The failure of the State to require a COI, or the failure of the Contractor to provide a COI or require subcontractor insurance shall not limit, relieve, or decrease the liability of the Contractor hereunder.

In the event that any policy written on a claims-made basis terminates or is canceled during the term of the contract or within five (5) years of termination or expiration of the contract, the contractor shall obtain an extended discovery

or reporting period, or a new insurance policy, providing coverage required by this contract for the term of the contract and five (5) years following termination or expiration of the contract.

If by the terms of any insurance a mandatory deductible is required, or if the Contractor elects to increase the mandatory deductible amount, the Contractor shall be responsible for payment of the amount of the deductible in the event of a paid claim.

Notwithstanding any other clause in this Contract, the State may recover up to the liability limits of the insurance policies required herein.

1. WORKERS' COMPENSATION INSURANCE

The Contractor shall take out and maintain during the life of this contract the statutory Workers' Compensation and Employer's Liability Insurance for all of the contractors' employees to be engaged in work on the project under this contract and, in case any such work is sublet, the Contractor shall require the Subcontractor similarly to provide Worker's Compensation and Employer's Liability Insurance for all of the Subcontractor's employees to be engaged in such work. This policy shall be written to meet the statutory requirements for the state in which the work is to be performed, including Occupational Disease. **The policy shall include a waiver of subrogation in favor of the State. The COI shall contain the mandatory COI subrogation waiver language found hereinafter.** The amounts of such insurance shall not be less than the limits stated hereinafter. For employees working in the State of Nebraska, the policy must be written by an entity authorized by the State of Nebraska Department of Insurance to write Workers' Compensation and Employer's Liability Insurance for Nebraska employees.

2. COMMERCIAL GENERAL LIABILITY INSURANCE

The Contractor shall take out and maintain during the life of this contract such Commercial General Liability Insurance as shall protect Contractor and any Subcontractor performing work covered by this contract from claims for damages for bodily injury, including death, as well as from claims for property damage, which may arise from operations under this contract, whether such operation be by the Contractor or by any Subcontractor or by anyone directly or indirectly employed by either of them, and the amounts of such insurance shall not be less than limits stated hereinafter.

The Commercial General Liability Insurance shall be written on an **occurrence basis**, and provide Premises/Operations, Products/Completed Operations, Independent Contractors, Personal Injury, and Contractual Liability coverage. **The policy shall include the State, and others as required by the contract documents as Additional Insured(s). This policy shall be primary, and any insurance or self-insurance carried by the State shall be considered secondary and non-contributory. The COI shall contain the mandatory COI liability waiver language found hereinafter.**

| REQUIRED INSURANCE COVERAGE | |
|--|-------------------------------|
| COMMERCIAL GENERAL LIABILITY | |
| General Aggregate | \$2,000,000 |
| Products/Completed Operations Aggregate | \$2,000,000 |
| Personal/Advertising Injury | \$1,000,000 per occurrence |
| Bodily Injury/Property Damage | \$1,000,000 per occurrence |
| Medical Payments | \$10,000 any one person |
| Damage to Rented Premises (Fire) | \$300,000 each occurrence |
| Contractual | Included |
| XCU Liability (Explosion, Collapse, and Underground Damage) | Included |
| Independent Contractors | Included |
| Abuse & Molestation | Included |
| <i>If higher limits are required, the Umbrella/Excess Liability limits are allowed to satisfy the higher limit.</i> | |
| WORKER'S COMPENSATION | |
| Employers Liability Limits | \$500K/\$500K/\$500K |
| Statutory Limits- All States | Statutory - State of Nebraska |
| USL&H Endorsement | Statutory |
| Voluntary Compensation | Statutory |
| UMBRELLA/EXCESS LIABILITY | |
| Over Primary Insurance | \$5,000,000 per occurrence |
| COMMERCIAL CRIME | |
| Crime/Employee Dishonesty Including 3rd Party Fidelity | \$1,000,000 |
| CYBER LIABILITY | |
| Breach of Privacy, Security Breach, Denial of Service, Remediation, Fines and Penalties | \$10,000,000 |
| MANDATORY COI SUBROGATION WAIVER LANGUAGE | |
| "Workers' Compensation policy shall include a waiver of subrogation in favor of the State of Nebraska." | |
| MANDATORY COI LIABILITY WAIVER LANGUAGE | |
| "Commercial General Liability & policy shall name the State of Nebraska as an Additional Insured and the policies shall be primary and any insurance or self-insurance carried by the State shall be considered secondary and non-contributory as additionally insured." | |

3. EVIDENCE OF COVERAGE

The Contractor shall furnish the Contract Manager, with a certificate of insurance coverage complying with the above requirements prior to beginning work.

These certificates or the cover sheet shall reference the RFP number, and the certificates shall include the name of the company, policy numbers, effective dates, dates of expiration, and amounts and types of coverage afforded. If the State is damaged by the failure of the Contractor to maintain such insurance, then the Contractor shall be responsible for all reasonable costs properly attributable thereto.

Reasonable notice of cancellation of any required insurance policy must be submitted to the contract manager as listed above when issued and a new coverage binder shall be submitted immediately to ensure no break in coverage.

4. DEVIATIONS

The insurance requirements are subject to limited negotiation. Negotiation typically includes, but is not necessarily limited to, the correct type of coverage, necessity for Workers' Compensation, and the type of automobile coverage carried by the Contractor.

H. ANTITRUST

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
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The Contractor hereby assigns to the State any and all claims for overcharges as to goods and/or services provided in connection with this contract resulting from antitrust violations which arise under antitrust laws of the United States and the antitrust laws of the State.

I. CONFLICT OF INTEREST

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| MJ | | | |

By submitting a proposal, bidder certifies that no relationship exists between the bidder and any person or entity which either is, or gives the appearance of, a conflict of interest related to this Request for Proposal or project.

Bidder further certifies that bidder will not employ any individual known by bidder to have a conflict of interest nor shall bidder take any action or acquire any interest, either directly or indirectly, which will conflict in any manner or degree with the performance of its contractual obligations hereunder or which creates an actual or appearance of conflict of interest.

If there is an actual or perceived conflict of interest, bidder shall provide with its proposal a full disclosure of the facts describing such actual or perceived conflict of interest and a proposed mitigation plan for consideration. The State will then consider such disclosure and proposed mitigation plan and either approve or reject as part of the overall bid evaluation.

J. ADVERTISING

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
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The Contractor agrees not to refer to the contract award in advertising in such a manner as to state or imply that the company or its goods or services are endorsed or preferred by the State. Any publicity releases pertaining to the project shall not be issued without prior written approval from the State.

K. NEBRASKA TECHNOLOGY ACCESS STANDARDS (Statutory)

Contractor shall review the Nebraska Technology Access Standards, found at <http://nitc.nebraska.gov/standards/2-201.htm> and ensure that products and/or services provided under the contract are in compliance or will comply with the applicable standards to the greatest degree possible. In the event such standards change during the Contractor's performance, the State may create an amendment to the contract to request the contract comply with the changed standard at a cost mutually acceptable to the parties.

L. DISASTER RECOVERY/BACK UP PLAN

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>MJ</i> | | | |

The Contractor shall have a disaster recovery and back-up plan, of which a copy should be provided upon request to the State, which includes, but is not limited to equipment, personnel, facilities, and transportation, in order to continue delivery of goods and services as specified under the specifications in the contract in the event of a disaster.

M. DRUG POLICY

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
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| <i>MJ</i> | | | |

Contractor certifies it maintains a drug free work place environment to ensure worker safety and workplace integrity. Contractor agrees to provide a copy of its drug free workplace policy at any time upon request by the State.

N. WARRANTY

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>MJ</i> | | | |

Despite any clause to the contrary, the Contractor represents and warrants that its services hereunder shall be performed by competent personnel and shall be of professional quality consistent with generally accepted industry standards for the performance of such services and shall comply in all respects with the requirements of this Agreement. For any breach of this warranty, the Contractor shall, for a period of ninety (90) days from performance of the service, perform the services again, at no cost to the State, or if Contractor is unable to perform the services as warranted, Contractor shall reimburse the State all fees paid to Contractor for the unsatisfactory services. The rights and remedies of the parties under this warranty are in addition to any other rights and remedies of the parties provided by law or equity, including, without limitation actual damages, and, as applicable and awarded under the law, to a prevailing party, reasonable attorneys' fees and costs.

O. LOBBYING

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|------------------|------------------|---|-----------------|
| <i>MJ</i> | | | |

1. No federal or state funds paid under this RFP shall be paid for any lobbying costs as set forth herein.
2. Lobbying Prohibited by 31 U.S.C. § 1352 and 45 CFR §§ 93 et seq, and Required Disclosures.
 - a. Contractor certifies that no federal or state appropriated funds shall be paid, by or on behalf of Contractor, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of

Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this award for: (a) the awarding of any federal agreement; (b) the making of any federal grant; (c) the entering into of any cooperative agreement; and (d) the extension, continuation, renewal, amendment, or modification of any federal agreement, grant, loan, or cooperative agreement.

- b. If any funds, other than federal appropriated funds, have been paid or will be paid to any person for influencing or attempting to influence: an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with Contractor, Contractor shall complete and submit Federal Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
3. Lobbying Activities Prohibited under Federal Appropriations Bills.
- a. No paid under this RFP shall be used, other than for normal and recognized executive-legislative relationships, for publicity or propaganda purposes, for the preparation, distribution, or use of any kit, pamphlet, booklet, publication, electronic communication, radio, television, or video presentation designed to support or defeat the enactment of legislation before the Congress or any State or local legislature or legislative body, except in presentation of the Congress or any State or local legislature itself, or designed to support or defeat any proposed or pending regulation, administrative action, or order issued by the executive branch of any state or local government itself.
 - b. No funds paid under this RFP shall be used to pay the salary or expenses of any grant or contract recipient, or agent acting for such recipient, related to any activity designed to influence the enactment of legislation, appropriations, regulation, administrative action, or Executive order proposed or pending before the Congress or any State government, State legislature or local legislature or legislative body, other than normal and recognized executive legislative relationships or participation by an agency or officer of an State, local or tribal government in policymaking and administrative processes within the executive branch of that government.
 - c. The prohibitions in the two sections immediately above shall include any activity to advocate or promote any proposed, pending or future federal, state or local tax increase, or any proposed, pending, or future requirement or restriction on any legal consumer product, including its sale of marketing, including but not limited to the advocacy or promotion of gun control.
4. Lobbying Costs Unallowable Under the Cost Principles. In addition to the above, no funds shall be paid for executive lobbying costs as set forth in 45 CFR § 75.450(b). If Contractor is a nonprofit organization or an Institute of Higher Education, other costs of lobbying are also unallowable as set forth in 45 CFR § 75.450(c).

P. AMERICAN WITH DISABILITIES ACT

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
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Contractor shall comply with all applicable provisions of the Americans with Disabilities Act of 1990 (42 U.S.C. 12131-12134), as amended by the ADA Amendments Act of 2008 (ADA Amendments Act) (Pub.L. 110-325, 122 Stat. 3553 (2008)), which prohibits discrimination on the basis of disability by public entities.

IV. PAYMENT

A. PROHIBITION AGAINST ADVANCE PAYMENT (Statutory)

Neb. Rev. Stat. §81-2403 states, "[n]o goods or services shall be deemed to be received by an agency until all such goods or services are completely delivered and finally accepted by the agency."

B. TAXES (Statutory)

The State is not required to pay taxes and assumes no such liability as a result of this solicitation. The Contractor may request a copy of the Nebraska Department of Revenue, Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption, Form 13 for their records. Any property tax payable on the Contractor's equipment which may be installed in a state-owned facility is the responsibility of the Contractor

C. INVOICES

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
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Invoices for payments must be submitted by the Contractor to the agency requesting the services with sufficient detail to support payment. Invoices must include the following information:

- Billing period
- Number of calls handled and/or made
- Average Handled Time (AHT)
- The tier you are billing for and the dollar amount
- Printing and postage dollar amount. On an attached document itemize the postage and printing with. Customer name, number of pages printed, postage amount and the mailing date.

The terms and conditions included in the Contractor's invoice shall be deemed to be solely for the convenience of the parties. No terms or conditions of any such invoice shall be binding upon the State, and no action by the State, including without limitation the payment of any such invoice in whole or in part, shall be construed as binding or estopping the State with respect to any such term or condition, unless the invoice term or condition has been previously agreed to by the State as an amendment to the contract.

D. INSPECTION AND APPROVAL

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
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Final inspection and approval of all work required under the contract shall be performed by the designated State officials.

The State and/or its authorized representatives shall have the right to enter any corporate premises where the Contractor or Subcontractor duties under the contract are being performed, and to inspect, monitor or otherwise evaluate the work being performed. All inspections and evaluations shall be at reasonable times and in a manner that will not unreasonably delay work.

E. PAYMENT (Statutory)

Payment will be made by the responsible agency in compliance with the State of Nebraska Prompt Payment Act (See Neb. Rev. Stat. §81-2403). The State may require the Contractor to accept payment by electronic means such as ACH deposit. In no event shall the State be responsible or liable to pay for any goods and services provided by the Contractor prior to the Effective Date of the contract, and the Contractor hereby waives any claim or cause of action for any such services.

F. LATE PAYMENT (Statutory)


The Contractor may charge the responsible agency interest for late payment in compliance with the State of Nebraska Prompt Payment Act (See Neb. Rev. Stat. §81-2401 through 81-2408).

G. SUBJECT TO FUNDING / FUNDING OUT CLAUSE FOR LOSS OF APPROPRIATIONS (Statutory)

The State's obligation to pay amounts due on the Contract for a fiscal years following the current fiscal year is contingent upon legislative appropriation of funds. Should said funds not be appropriated, the State may terminate the contract with respect to those payments for the fiscal year(s) for which such funds are not appropriated. The State will give the Contractor written notice thirty (30) calendar days prior to the effective date of termination. All obligations of the State to make payments after the termination date will cease. The Contractor shall be entitled to receive just and equitable compensation for any authorized work which has been satisfactorily completed as of the termination date. In no event shall the Contractor be paid for a loss of anticipated profit.

H. RIGHT TO AUDIT (First Paragraph is Statutory)

The State shall have the right to audit the Contractor's performance of this contract upon a thirty (30) days' written notice. Contractor shall utilize generally accepted accounting principles, and shall maintain the accounting records, and other records and information relevant to the contract (Information) to enable the State to audit the contract. (Neb. Rev. Stat. §84-304 et seq.) The State may audit and the Contractor shall maintain, the Information during the term of the contract and for a period of five (5) years after the completion of this contract or until all issues or litigation are resolved, whichever is later. The Contractor shall make the Information available to the State at Contractor's place of business or a location acceptable to both Parties during normal business hours. If this is not practical or the Contractor so elects, the Contractor may provide electronic or paper copies of the Information. The State reserves the right to examine, make copies of, and take notes on any Information relevant to this contract, regardless of the form or the Information, how it is stored, or who possesses the Information. Under no circumstance will the Contractor be required to create or maintain documents not kept in the ordinary course of contractor's business operations, nor will contractor be required to disclose any information, including but not limited to product cost data, which is confidential or proprietary to contractor.

| Accept (Initial) | Reject (Initial) | Reject & Provide Alternative within Solicitation Response (Initial) | NOTES/COMMENTS: |
|---|------------------|---|-----------------|
|  | | | |

The Parties shall pay their own costs of the audit unless the audit finds a previously undisclosed overpayment by the State. If a previously undisclosed overpayment exceeds three (3) percent of the total contract billings, or if fraud, material misrepresentations, or non-performance is discovered on the part of the Contractor, the Contractor shall reimburse the State for the total costs of the audit. Overpayments and audit costs owed to the State shall be paid within ninety (90) days of written notice of the claim. The Contractor agrees to correct any material weaknesses or condition found as a result of the audit.

Request for Proposal Response
Nebraska Department of Health and Human Services

Prepared by

DATAMARK, Inc.

123 W. Mills Ave., Suite 400,
El Paso, TX 79901

12/5/2022

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1. EXECUTIVE SUMMARY

DATAMARK (DMI) appreciates the opportunity to present this proposal to the State of Nebraska (State), Department of Health and Human Services (DHHS), Request for Proposal (RFP) Number 113578 O3 to provide additional call center support services for ACCESSNebraska. We understand Nebraska DHHS is seeking a qualified partner to manage surges in call volume and scale interpreter capacity quickly. Nebraska DHHS is looking for a service provider with existing capability and capacity to satisfy existing customer needs. In the following pages, we will illustrate how DATAMARK (DMI) is the ideal partner for these purposes.

DATAMARK (DMI) will:

- Provide servicing from a myriad of location options across the globe, providing the right language skills as needed.
- Provide interpretation services at per call rate from offered callers so that you can flex and surge needed staff Full Time Equivalents (FTEs) according to your volume needs.
- Provide expert operational and talent acquisition staff that will hire, train, and retain ideal candidates to successfully service all your call needs.

Nebraska DHHS will benefit from DATAMARK's extensive experience, creative solutions, and process rigor to manage flows in call volume. In our 30 years, we are proud to provide inbound and outbound calls for Fortune 500 companies, medium-large companies, and state and federal contracts. With an average client relationship of more than 15 years, we emphasize the importance of listening to our clients and discovering their needs to deliver a solution that leads to our clients' success. Our streamlined corporate structure means every client has access to executive-level leadership. We are "right-sized" to provide personal, executive-level attention for every engagement.

This proposal will demonstrate how DATAMARK has the knowledge, experience, and technical proficiency to successfully implement and manage the call volumes of Nebraska DHHS business units, by:

1. Partnering with YOU to ensure that we fully understand your needs and tailor our processes and procedures to align accordingly.
2. Hiring the right people who strongly match the required job specifications.
3. Ability to grow and scale to accommodate "peak" seasons as well as steady-state business needs.
4. Providing a comprehensive training plan that ensures insightful knowledge critical for exceptional servicing,
5. Integrating the right technology to drive optimal servicing.
6. Providing comprehensive, objective metrics regularly with full visibility to the inner workings of our operational practices.
7. Offering continuous feedback to all employees to facilitate an engaging environment where each agent can thrive.

8. Offering recognition and financial incentives in accordance with successful performance and demonstration of DATAMARK core values.

We consistently accomplish all these critical operational factors due to key tenets, which will be further illustrated in the balance of this proposal.

Optimal Processing Location

DATAMARK can best meet and exceed the current Nebraska DHHS contact center goals and expectations by providing a contact center solution at our facilities in El Paso, Texas, along with our work-at-home employees. Our work-at-home or 'virtual' employees will be employed in Nebraska, El Paso, and throughout the United States. Several factors make our facilities list above an ideal solution for a multi-faceted contact center. These factors include a strong HR and talent acquisition market presence enabling us to hire the right people quickly and retain them, a skilled contact center operations team enabling best in class performance, accommodating time zones, and facilities able to expand with the needs of our clients.

Optimal Employee Workforce

Our team members are key to delivering innovative, client-focused solutions. Whether through skill development, value-added benefits, ethical workplace behavior, or recognition programs, all employees know they are valuable team members and have an important role to play in creating a fair and equitable workplace. DATAMARK's team members are what set us apart. We always strive to deliver the best but if we make a mistake, we communicate and act quickly while using that experience to grow and improve.

In addition, DATAMARK recognizes the importance of minimizing employee turnover to increase overall call center performance and enhance customer relationships, and minimize the significant time and cost associated with hiring and training new CSRs. Our current call center operations are successful at customer service excellence and satisfied employees. Our employees enjoy and excel in the workplace environment at DATAMARK. We have consistently reduced customer service escalation issues for our partners, saving them time and money, and resulting in a more satisfied customer. Our philosophy is that we can best provide optimal quality, efficiency, and productivity by retaining a happy and engaged workforce that embraces your culture on a daily basis.

Commitment to Service Level Agreements

DATAMARK's core values drive our culture of transparent and honest communication. Our operations team holds regular metrics and information sharing meetings with our clients and internally with our senior management team. We have a detailed Business Process Management System (BPMS) to ensure policies and procedures are documented, adhered to, and follow a strict change management process. The documented SLAs are then driven by all levels of operations through incentive structures. Operational management and agents are incentivized to exceed company required SLAs after meeting their base level standards. Incentive plans also develop a culture of continuous improvement where DATAMARK

employees are driven to meet the needs of our partners through continuous improvement, allowing them to better serve and care for the needs of the client.

2. CORPORATE OVERVIEW

The Corporate Overview section of the Solution Proposal should consist of the following subdivisions:

a. CONTRACTOR IDENTIFICATION AND INFORMATION

The bidder should provide the full company or corporate name, address of the company's headquarters, entity organization (corporation, partnership, proprietorship), state in which the bidder is incorporated or otherwise organized to do business, year in which the bidder first organized to do business and whether the name and form of organization has changed since first organized.

DATAMARK, Inc. is a Texas-based Corporation with a Dun and Bradstreet rating of 4A1.

DATAMARK was established in 1989 and has been providing contact center and business process servicing for more than three decades. We offer a combination of these services for multiple clients at each of our ten global operational facilities in the U.S., Mexico, and India, with each site housing 300 to 1,000 people. In addition, DATAMARK is adept at ramping up sites according to the processing needs of our partners. We are currently supporting English, Spanish, French, German, and multiple Asian languages across both contact center and back-office services, continuing to expand our language offerings for interpretation services and customer service, where our focus is to optimize the call-center strategy by increasing flexibility and scalability.

b. FINANCIAL STATEMENTS

The bidder should provide financial statements applicable to the firm. If publicly held, the bidder should provide a copy of the corporation's most recent audited financial reports and statements, and the name, address, and telephone number of the fiscally responsible representative of the bidder's financial or banking organization.

If the bidder is not a publicly held corporation, either the reports and statements required of a publicly held corporation, or a description of the organization, including size, longevity, client base, areas of specialization and expertise, and any other pertinent information, should be submitted in such a manner that proposal evaluators may reasonably formulate a determination about the stability and financial strength of the organization. Additionally, a non-publicly held firm should provide a banking reference.

The bidder must disclose any and all judgments, pending or expected litigation, or other real or potential financial reversals, which might materially affect the viability or stability of the organization, or state that no such condition is known to exist.

The State may elect to use a third party to conduct credit checks as part of the corporate overview evaluation.

DATAMARK is pleased to provide data for the fiscal year ending 2020-2021. There is no known pending or expected litigation or other real or potential financial reversals.

c. CHANGE OF OWNERSHIP

If any change in ownership or control of the company is anticipated during the twelve (12) months following the proposal due date, the bidder should describe the circumstances of such change and indicate when the change will likely occur. Any change of ownership to an awarded bidder(s) will require notification to the State

No change of ownership is anticipated for the duration of the contract; however, DATAMARK would comply with all statutory and contractual obligations should this situation ever occur.

d. OFFICE LOCATION

The bidder's office location responsible for performance pursuant to an award of a contract with the State of Nebraska should be identified.

DATAMARK office location responsible for performance pursuant to an award of a contract with Nebraska is 43 Butterfield Trail Blvd. C1, El Paso TX 79906.

e. RELATIONSHIPS WITH THE STATE

The bidder should describe any dealings with the State over the previous five (5) years. If the organization, its predecessor, or any Party named in the bidder's proposal response has contracted with the State, the bidder should identify the contract number(s) and/or any other information available to identify such contract(s). If no such contracts exist, so declare.

DATAMARK does not have any current dealings with the State of Nebraska, nor has it had any within the previous five years.

f. BIDDER'S EMPLOYEE RELATIONS TO STATE

If any Party named in the bidder's proposal response is or was an employee of the State within the past twelve (12) months, identify the individual(s) by name, State agency with whom employed, job title or position held with the State, and separation date. If no such relationship exists or has existed, so declare.

If any employee of any agency of the State of Nebraska is employed by the bidder or is a Subcontractor to the bidder, as of the due date for proposal submission, identify all such persons by name, position held with the bidder, and position held with the State (including job title and agency). Describe the responsibilities of such persons within the proposing organization. If, after review of this information by the State, it is determined that a conflict of interest exists or may exist, the bidder may be disqualified from further consideration in this proposal. If no such relationship exists, so declare.

DATAMARK does not have any current employees who were employed by the State of Nebraska in the past 12 months.

g. CONTRACT PERFORMANCE

If the bidder or any proposed Subcontractor has had a contract terminated for default during the past five (5) years, all such instances must be described as required below. Termination for default is defined as a notice to stop performance delivery due to the bidder's non-performance or poor performance, and the issue was either not litigated due to inaction on the part of the bidder or litigated and such litigation determined the bidder to be in default.

It is mandatory that the contractor submit full details of all termination for default experienced during the past five (5) years, including the other Party's name, address, and telephone number. The response to this section must present the bidder's position on the matter. The State will evaluate the facts and will score the bidder's proposal accordingly. If no such termination for default has been experienced by the bidder in the past five (5) years, so declare.

If at any time during the past five (5) years, the bidder has had a contract terminated for convenience, non-performance, non-allocation of funds, or any other reason, describe fully all circumstances surrounding such termination, including the name and address of the other contracting Party.

DATAMARK has not had a contract terminated for default or for convenience, non-conformance, non-allocation of funds, or any other reason during the past five years.

h. SUMMARY OF BIDDERS CORPORATE EXPERIENCE

The bidder should address the following:

i. Provide narrative descriptions to highlight the similarities between the contractor's experience and this solicitation. These descriptions should include:

- a) The time period of the project
- b) The scheduled and actual completion dates
- c) The bidder's responsibilities
- d) For reference purposes, a customer name (including the name of a contact person, a current telephone number, a facsimile number, and e-mail address); and
- e) Each project description should identify whether the work was performed as the prime Contractor or as a Subcontractor. If a contractor performed as the prime Contractor, the description should provide the originally scheduled completion date and budget, as well as the actual (or currently planned) completion date and actual (or currently planned) budget.

ii. Bidder and Subcontractor(s) experience should be listed separately. Narrative descriptions submitted for Subcontractors should be specifically identified as Subcontractor projects.

iii. If the work was performed as a Subcontractor, the narrative description should identify the same information as requested for the bidders above. In addition, Subcontractors should identify what share of contract costs, project responsibilities, and time period were performed as a Subcontractor.

City of El Paso

Bilingual Customer Service – Support for City Departments

DATAMARK provides customer service to manage the daily call volume for multiple city departments and the 311 phone line. DATAMARK has consistently delivered exceptional customer service with Integrity and respect for the last six years, working to support the growing and vibrant economy of our beautiful city.

PDI Software

Bilingual Customer Service - Customer Loyalty Marketing Company

The PDI Call Center handles a combination of inbound calls and email daily, providing customer service and issue resolution with a main target metric of first-call resolution. Daily operations consist of answering inbound calls, replying to emails and managing requests related to a promotional card fulfillment process. In servicing this project, DATAMARK provides end-to-end people, process, and technology, providing reliable service that has resulted in two contract extensions and expansion. PDI has 100 percent visibility to the process and the associated metrics through our online reporting tools. Cases being escalated to PDI have dropped from 7 percent to 3 percent, further reducing costs for our partner. In this way, DATAMARK has raised

the KPI bar for quality in both calls and emails and consistently exceeds PDI's service level requirements.

Federal Express

1. Call Center – Centralized Quality Assurance

DATAMARK provides call center services to research and troubleshoot issues where packages cannot be delivered as required. Servicing this project involves case management, tracking, and follow-up to ensure that each package challenge is addressed to resolution so that end customers will be satisfied with a timely delivery. In support of this process, DATAMARK has developed and implemented a comprehensive proprietary solution that enables full quality management with seamless visibility to Federal Express. We have been meeting and exceeding all customer expectations for this project for four years for this specific project. We have been with Federal Express since 1989 as a proud partner.

2. Call Center – Customs Clearance

DATAMARK provides call center services to prevent packages from being held up on the USA/Canadian border due to freight bill information or federal regulations. In implementing this process, DATAMARK made the following improvements to provide innovation to the FedEx team:

- Performed a volume inflow analysis that indicated better customer service levels could be achieved by moving to three shifts with different capacity
- Implemented process redundancy using other DATAMARK sites
- Modified an existing process for following up after the initial call
- Led a joint effort with FedEx to create a paperless process

OUR CLIENTS

City of El Paso – 311 Contact Center: 6055 Threadgill, El Paso TX 79924
Certified Languages International: 4800 SW Macadam Ave, Portland OR, 97239
Language Line: 1 Lower Ragsdale Dr, Monterey CA, 93940
Federal Express: 1000 FedEx Dr, Moon Township PA, 15108
PDI Software: 14241 Dallas Parkway, Dallas TX, 75254
CNSI: 2277 Research Blvd, Rockville MD, 20850

DATAMARK does not propose to use subcontractors for this contract. All experience provided is for DATAMARK projects. DATAMARK has performed all work for the customer references listed as a prime contractor.

i. SUMMARY OF BIDDERS PROPOSED PERSONNEL/MANAGEMENT APPROACH

The bidder should present a detailed description of its proposed approach to the management of the project.

The bidder should identify the specific professionals who will work on the State's project if their company is awarded the contract resulting from this solicitation. The names and titles of the team proposed for assignment to the State project should be identified in full, with a description of the team leadership, interface and support functions, and reporting relationships. The primary work assigned to each person should also be identified.

The bidder should provide resumes for all personnel proposed by the bidder to work on the project. The State will consider the resumes as a key indicator of the bidder's understanding of the skill mixes required to carry out the requirements of the solicitation in addition to assessing the experience of specific individuals.

Resumes should not be longer than three (3) pages. Resumes should include, at a minimum, academic background and degrees, professional certifications, understanding of the process, and at least three (3) references (name, address, and telephone number) who can attest to the competence and skill level of the individual. Any changes in proposed personnel shall only be implemented after written approval from the State.

The DATAMARK operational structure, as illustrated below, is designed to offer comprehensive coverage of all operational needs to: 1) ensure complete compliance with all SLAs with a focus on the customer service experience, 2) Keep employees well-engaged, focused, and mentored to ensure low attrition levels, and 3) offer all employees clear paths for personal growth with DATAMARK. In this way, we maintain an Operations staff that has been largely developed from within, promoting engaged employees when positions become available.

You will also know and have full access to the Director of Operations for periodic communication and/or any desired escalations. At DATAMARK, it is our preference to conduct organized monthly reviews with our partners, as well as quarterly reviews that may integrate higher-level staff personnel and even executive management when appropriate. It is always our #1 goal and desire to maintain excellent relationships with each partner such that we continue to grow and excel together.

In addition, the DHHS center employees have open and immediate access to a full local Human Resources staff. Local recruiters learn the call center operation to provide accurate job previews and expectations, and the local HR manager and HR generalist frequently visit the site to provide support and assistance for the agents and management team.

Senior Management Team



Bill Randag
President



John Holmes
Senior Vice
President



**Fergal
O'Donnell**
Vice President
of Technology



Matt Lochausen
Vice President
of Security and
Compliance



**Monica
Lombrana**
Vice President
of Corporate
Support



Shawn Ollis
Vice President
of Operations

Bill Randag, President



Bill Randag has served as DATAMARK president since 2001, leading comprehensive servicing that helps clients radically transform, improve and add value to their business processes. As his career progressed, Bill assumed increasingly complex responsibilities and leadership roles. He is proud to serve as a mentor and leadership coach at DATAMARK and beyond, helping to develop outstanding leaders in the multi-cultural communities our company serves. As president, Bill has guided DATAMARK through a significant expansion into a broad portfolio of outsourced business services, including multilingual contact center services, digital mailroom management, document processing, and

process improvement consulting for Fortune 500 companies. Under his leadership, DATAMARK has expanded to a global servicing company of almost 3,000 employees.

John Holmes, Senior Vice President



For more than 25 years, John Holmes has been an integral part of DATAMARK's success. His expertise has impacted many areas of the company, including Information Technology, Human Resources, Purchasing, Operations and Quality Assurance. As Vice President of Mexico Operations, John was responsible for redesigning the company's site layouts, implementation of new projects, workflow management, and, most importantly, the creation of the Quality Assurance department. In the areas of IT and Software Development, John has been responsible for structured reorganization and redirection, which led to positive changes in management and vision for the company. John's depth of experience in the BPO field has made him an excellent mentor for members of the

DATAMARK team.

Shawn Ollis, Vice President of Global Operations



Shawn Ollis joined DATAMARK in 2021. As Vice President of Operations, Shawn provides strategic level leadership to the global operations team to ensure client satisfaction and business growth. Prior to joining the DATAMARK team, Shawn functioned as Vice President of Operations for Prudential Financial, where he was responsible for leading the overall strategy and continued growth of the El Paso offices, performance management, business continuity, talent acquisition and development, employee engagement, operational efficiency, and client satisfaction. His previous roles include Director of Service Delivery for Comprehensive Services for Automatic Data Processing, where he provided leadership, management, and operational oversight of

contracted deliverables, and served as the Subject Matter Expert on service delivery excellence. With over 20 of experience leading high-performing teams through periods of high growth and sustained performance, Shawn's experience spans across multiple Fortune 500 organizations in several sectors, including financial services, BPO, human capital management and telecommunications. Throughout his career, Shawn has had the opportunity to lead and partner with teams across the globe, including multiple sites in the United States, the Philippines, India, Mexico, and Ireland.

Matt Lochausen, Vice President of Security and Compliance



During his 32-year career at DATAMARK, Matt has had leadership responsibilities in virtually every aspect of the company’s multi-national operations. Before leading the Security and Compliance team, Matt served as Vice President over Infrastructure and Networking. Prior to that, he served as VP of Business Transformation with responsibilities over the Business Engineering and Project Management departments. His past experience also includes management and oversight of a number of corporate departments, including Mexico Operations, Production Operations, Client Services, Software Development, IT, Quality Assurance and Commercial Management. Matt’s leadership has been key in the development, implementation, and management of a range of business processes—from bilingual contact center services to

digital mailrooms to data capture services - for Fortune 500 companies and other enterprises spanning the financial, healthcare, transportation and retail sectors.

Fergal O’Donnell, Vice President of Technology



Fergal brings more than 30 years of experience in technology, with a focus on delivering resilience, high quality and customer delight, while continuously driving transformational change. As Vice President of Technology at DATAMARK, Fergal is responsible for aligning the company’s Infrastructure, Software, Architecture, Quality, and Business Engineering teams, ensuring that all elements function seamlessly together to fuel the company’s continued growth. Prior to joining DATAMARK, Fergal spent 15 years at T-Systems in positions with nationwide and international responsibility. His previous experience includes time at Fujitsu and British Airways in a variety of senior roles in both Europe and the USA.

Monica Lombraña, Vice President of Corporate Support



Monica Lombraña joined DATAMARK in May 2022, bringing with her a history of successfully managing large projects and organizations, including the City of El Paso’s Department of Aviation. As Vice President of Corporate Support, she is responsible for overseeing Finance & Accounting, Human Resources and Project Management. Monica leads her teams to ensure projects are implemented in a timely manner to meet every client’s expectations and coordinating support to guarantee operational success. With her extensive experience gained at the City of El Paso in various roles, including her role as the Chief Operations and Transportation Officer, she is uniquely positioned to identify opportunities

for partnership and improvement.

3. SOLUTION APPROACH

The solution approach section of the Proposal should consist of the following subsections:

1. Understanding of the project requirements

DATAMARK will provide mailroom and contact center services for the State of Nebraska DHHS. DATAMARK plans to ramp up to 150-200 FTEs using a fully secure location in Texas in partnership with Nebraska DHHS. DATAMARK will hire, train, develop and manage operations using a hybrid model of workers in both “work from office” and “work from home” modes. At least 10 percent of DATAMARK’s agents will be bilingual in English and Spanish. For other languages, DATAMARK can provide access to language interpretation services.

DATAMARK will focus recruiting efforts to hire candidates predominantly in Nebraska and Texas. DATAMARK will ensure that the fully secure solution is scalable and capable of handling call volumes and mailroom services in 2023.

2. Proposed development approach

DATAMARK understands the need for clarity and partnership. It is our mission to make all transitions seamless for our partners. DATAMARK will coordinate through our Project Management team and will partner with our Business Engineering, Software Development, Human Resources and Operations teams to ensure our approach is comprehensive and systematic. DATAMARK maintains the highest standards of quality and operational excellence, and we are equipped with the right technology, solutions, and staff to support our Nebraska DHHS partners.

3. Technical considerations

DATAMARK understands the technical requirements and will implement an end-to-end technology solution that is optimal for Nebraska DHHS’s needs. DATAMARK will provide all onsite and at-home agents with a complete desktop solution, protected with best-in-class security and connectivity. All agents and staff will be equipped with our technology solutions: Avaya for telephony, Salesforce for Customer Relationship Management (CRM) and Calabrio for quality and workforce management.

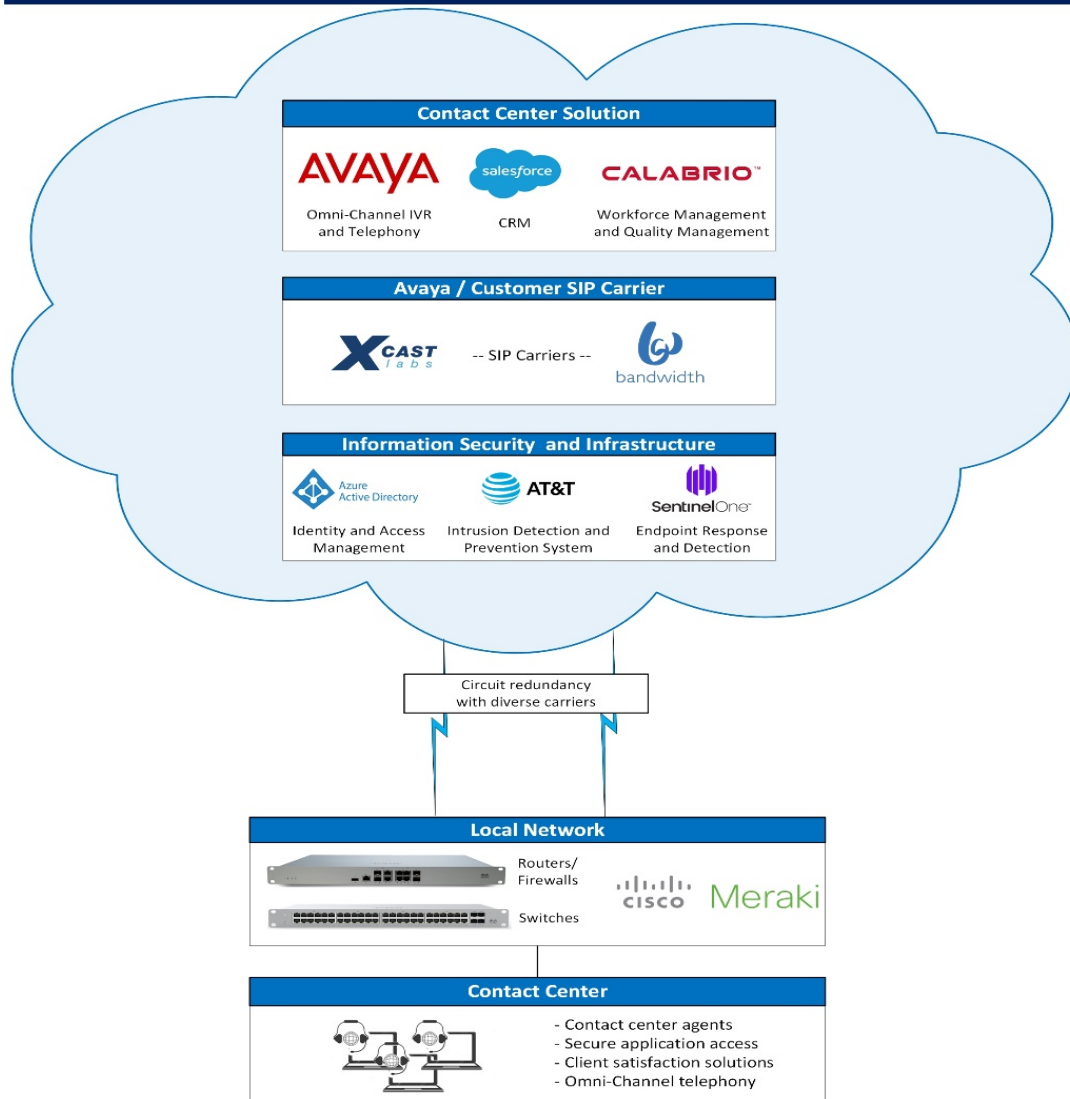
All hardware and software will be fully secured using AT&T Managed Intrusion Detection System and Intrusion Prevention System (IPS/IDS). The IPS/IDS is monitored 24x7 by the AT&T Security Operations Center (SOC).

DATAMARK uses SentinelOne as the primary cyber security protection, alongside Okta for Multi-Factor Authentication (MFA), Mimecast for enterprise email protection, Nessus

for vulnerability assessment, and SolarWinds for infrastructure monitoring. Please see section 3.2 for further details.

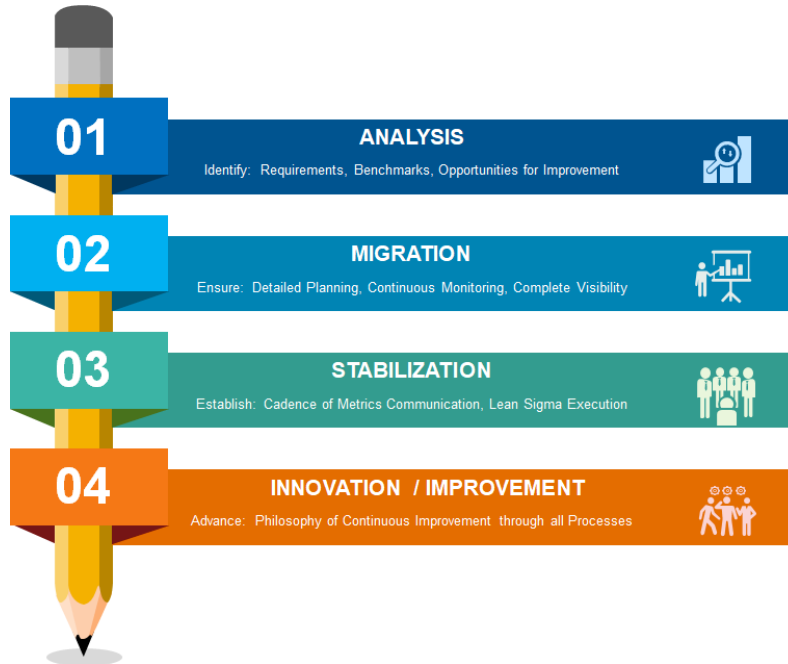
DATAMARK's Security Operations Center performs real time monitoring of SentinelOne, SolarWinds, Nessus, BitSight rating, and Video Surveillance Systems.

DATAMARK Standard Technology Solution – Work From Office Model
By: DATAMARK, Inc. | Created On: January 24th, 2022



4. Detailed project work plan

DATAMARK uses a four-phase transition methodology, which provides a mature and proven framework to manage all aspects of every project to ensure success.



I. Analysis:

This detailed process examination stage (as summarized below) is the first step of every engagement, providing a detailed end-to-end analysis of the current state. It allows for the thorough examination of all functions, as well as the opportunity to work closely with the client to tailor an optimal solution that meets all requirements.

| Information Gathering & Discovery | | |
|--|--------------------------------------|----------------------------------|
| Current State Analysis 2.0 | | |
| Business Engineering (BE) | | |
| 2.1 SIPOC | 2.7 Identify / Baseline Key Metrics | 2.13 Processing Location Options |
| 2.2 Current Process Mapping | 2.8 Identify Transition Expectations | 2.14 BCP / DRP Expectations |
| 2.3 Obtain Customer Insights | 2.9 Identify Training Expectations | 2.15 Risk Assessment |
| 2.4 Business Requirements – High Level | 2.10 Identify Timeline Expectations | 2.16 Issue Analysis |
| 2.5 Volume & Staffing Requirements | 2.11 Security Requirements | 2.17 Stakeholder Assessment |
| 2.6 Skill Assessment | 2.12 Technology Requirements | |

During this analysis phase, we work with you to create a detailed timeline that covers all aspects of the project. Every project plan is customized to the specific needs of the project, taking into account all constraints. Through our vast experience and analysis of lessons learned at the end of every project, we have built, and continue to actively refine, our Process Migration Methodology (PMM), which encompasses all

factors critical to the success of the transition, which will be detailed in a comprehensive project plan.

II. Migration:

Transition of all applicable functions to DATAMARK allows our partners to leverage our expertise through the final phases of the implementation process. Our detailed Process Migration Methodology (PMM), shown below, provides the pivotal piece of a successful transition by providing:

- Complete visibility from start to finish.
- Identified functions, steps, and roles.
- Clear understanding of all inputs and outputs for each step of the transition.
- Constant monitoring to ensure milestone success.
- Open communication throughout the transition process.

This supports on-time implementation.

Our PMM highlights best practices in risk mitigation including:

- Our experts on-site throughout transition.
- Aggressive recruiting to overstaff before and during transition.
- Aggressive cross training to maximize knowledge retention.
- Quality and timeliness benchmarking before and after transition of each function.

Process Migration Methodology (PMM)

| Resources | Business Opportunity Review (Due Diligence) | Migration Plan Creation 1.0 | Migration Plan Preparation 2.0 | Migration Plan Execution 3.0 | Migration Plan Completion 4.0 |
|------------------------|---|---|--|--|--|
| Responsible | PMO Leader / Transition Manager | PMO Leader / Transition Manager | Transition Manager | Transition Manager | Transition Manager |
| Account Coordinator | | | 2.1 VOC Survey Request 2.2 SLA Documentation 2.3 Billing Documentation | | 4.1 VOC Survey |
| Business Engineering | 0.1 Deliver & Present Business Strategy Assessment (BSA) 0.2 BSA Sign-off | 1.1 Business Requirements Document (BRD) | | | |
| Finance / Purchasing | 0.3 Deliver SPM 0.4 SPM Sign-off | 1.2 Deliver SPM Assumptions | 2.4 Customer Creation | 3.1 Purchase Equipment | |
| PMO | 0.5 Validate BSA 0.6 Customer Visit 0.7 High Level Project Timelines 0.8 Validate IT BOM 0.9 Baseline Process | 1.3 Project Charter 1.4 Scope & Sizing Docs 1.5 Team Identification 1.6 High Level Project Plan 1.7 Project LOE 1.8 Governance Structure 1.9 Detailed Project Plan 1.10 Kick-Off Meeting 1.11 Communication Plan 1.12 Risk Mitigation Plan 1.13 MPC 1.0 Complete/Signoff 1.14 Validate SPM Assumptions | 2.5 Transition FMEA 2.6 MPP 2.0 Complete/Signoff | 3.2 MPE 3.0 Complete/Signoff | 4.2 Closure Documentation 4.3 Close Serena Project 4.4 MPC 4.3 Transferred to Ops / Sign-off |
| Operations / Quality | 0.10 Baseline Process 0.11 Operational Assumptions | 1.15 Validate Operations SLA 1.16 Validate Quality SLA 1.17 Validate Baseline 1.18 Customer Site Inventory | 2.7 Staffing Plan 2.8 Volume Plan 2.9 Metrics Plan 2.10 Purchasing Plan 2.11 Training Material 2.12 Training Schedule 2.13 Production Set Up 2.14 Operations Readiness Checklist 2.15 Create BCP/DRP 2.16 Create Control Plan | 3.3 Proposed Process FMEA 3.4 Procedures and Work Instructions 3.5 Go Live Checklist 3.6 On the Job Training / Train the Trainer 3.7 Train Employees | 4.5 Metrics Report 4.6 Defects Plan 4.7 BPMS 4.8 Post-implementation Items |
| Human Resources | | 1.19 Validate Skill Assessment | 2.17 Job Descriptions 2.18 Hiring Plan | 3.8 Hire Personnel 3.9 Training Record | |
| Information Technology | 0.12 IT Assumptions 0.13 IT BOM | 1.20 Validate Technology Requirements | 2.19 IT Network Diagrams 2.20 Bandwidth Analysis 2.21 IT Readiness Checklist | 3.10 Technology Deployment Plan 3.11 Close IT Readiness Checklist 3.12 Integrated Testing Approval | |
| SD&V | 0.14 SD Assumptions | 1.21 Validate SD Requirements | 2.22 Software Requirements (SRD) 2.23 SD LOE (final) | 3.13 Integrated Testing Approval 3.14 Software Deployment Plan | |
| Facilities | | | 2.24 Proposed Layout 2.25 Facility Delivery Dates 2.26 Site Readiness Checklist | 3.15 Work Area Complete 3.16 Close Site Readiness Checklist | |
| Executive | 0.15 Sign Contract | | | | |

III. Stabilization:

Alongside the Current State Analysis and execution of the PMM, we will build a comprehensive Business Process Management System (BPMS) which defines the end-to-end controls for all project information. The BPMS also defines a robust change management program such that change requests can be expediently addressed while ensuring that all applicable approvals are clearly executed, all documentation is maintained up to date, all required training and/or knowledge transfer occurs as necessary, and execution of the change occurs without negative effects.

IV. Innovation/Improvement:

After completing the implementation, the project is turned over to the Operations team who institutes perpetual monitoring and improvement plans while managing the outsourcing project, to ensure optimal quality results at all times.

If applicable, after transition and once a steady state has been established, we can work with you to determine best fit, if any, for relocation of processes. This provides an option for relocation to alternate regions of the world that still offer the skill sets required but may offer additional labor rate and labor pool options.

In an ever-changing world where technology is continually advancing and experts in specialized fields continue to develop and refine new methodologies, it is critical to remain on the cutting edge of research and development. What is state of the art today may be obsolete in a year or two. Therefore, we have established internal practices, led by our Business Engineering Department, to look toward the future at all times. Partnership with us ensures our dedication and expertise in this area throughout the relationship.

5. Deliverables and due date

DATAMARK understands the importance of business continuity and seamless transition. All deliverables and due dates are understood and will be achieved in full partnership with Nebraska DHHS. DATAMARK has an experienced and professional Project Management team whose project plans focus on quality and time to ensure that all milestones are met.

4. REQUIRED BIDDER RESPONSES

ATTACHMENT 3

REQUIRED BIDDER RESPONSES

1. Describe your understanding of the business requirements, including reporting requirements. Describe your approach of how you will accomplish the business and reporting requirements.

Bidder's Response:

The State of Nebraska requires additional customer service personnel and resources to answer inbound calls and/or perform customer outreach activities. This includes providing back-office processing services in support of the ACCESSNebraska services.

DATAMARK understands the full scope and requirements of the project. We are looking to provide mailroom and contact center services for the State of Nebraska DHHS. We will ramp up to as many FTEs required for the project (We estimate the need to be anywhere between 140-200 FTEs.) with a fully secure location in Texas in conjunction with the partnership of the Nebraska DHHS services. We will hire, train, develop, and manage operations in a hybrid model of workers that will work in the office and work at home. At least 10 percent of DATAMARK's agents will be bilingual in English and Spanish. For other languages, DATAMARK can provide access to language interpretation services as required by Nebraska DHHS.

We will focus our recruiting efforts to hire candidates in Nebraska and Texas predominantly. We will ensure that our fully secure solution is scalable and capable of handling call volumes and mailroom services starting in January 2023.

Reporting Requirements










Reporting improves the efficiency, quality and execution of call takers for these Nebraska Medicaid and economic assistance programs:

- Medicaid
- Supplemental Nutrition Assistance Program (SNAP)
- Aid to Dependent Children (ADC)
- Aid to Aged, Blind and Disabled (AABD) Payment
- Low Income Home Energy Assistance Program (LIHEAP)
- State Disability Program
- Child Care Subsidy
- Refugee Resettlement Program
- Social Services for the Aged and Disabled (SSAD)

Reporting will follow a daily/weekly/monthly plan outlined in Attachment 7 and shared via email and/or file share. The reports will include the following key performance indicators (KPI):

Daily reports

Weekly reports

| | | | | | | | | | | | | | | | | | |
|--|--|---------------------------------------|--|--------------------------------|--|-------------------------------------|---|--|--------------------------------|---------------------|--|---------------------------------------|--|--------------------------------|--|---------------------------|--------------------------|
| We will deliver the daily report by email no later than 9:30 a.m. Central time each day. | We will deliver the weekly report by email to the DHHS Contract Manager or designee no later than noon Central time Tuesdays. | | | | | | | | | | | | | | | | |
| Primary report | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; padding: 2px;">number of offered and handled calls</td> <td style="padding: 2px;">QA monitoring metrics</td> </tr> <tr> <td style="padding: 2px;">average speed of answer (ASA)</td> <td style="padding: 2px;">QA calibration reporting</td> </tr> <tr> <td style="padding: 2px;">average handled time (AHT) by queue</td> <td style="padding: 2px;">Ad Hoc Reports</td> </tr> </table> | number of offered and handled calls | QA monitoring metrics | average speed of answer (ASA) | QA calibration reporting | average handled time (AHT) by queue | Ad Hoc Reports | | | | | | | | | | |
| number of offered and handled calls | QA monitoring metrics | | | | | | | | | | | | | | | | |
| average speed of answer (ASA) | QA calibration reporting | | | | | | | | | | | | | | | | |
| average handled time (AHT) by queue | Ad Hoc Reports | | | | | | | | | | | | | | | | |
| Completed items by category | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; padding: 2px;">change requests</td> <td style="padding: 2px;">Delivered by mutual agreement of the parties</td> </tr> <tr> <td style="padding: 2px;">Applications</td> <td rowspan="5" style="text-align: center; vertical-align: middle;">  </td> </tr> <tr> <td style="padding: 2px;">application status</td> </tr> <tr> <td style="padding: 2px;">denial status inquiries from DATAMARK CRM</td> </tr> <tr> <td style="padding: 2px;">number of outreach activities per hour per agent</td> </tr> <tr> <td style="padding: 2px;">average talk time per outreach</td> </tr> <tr> <td style="padding: 5px; vertical-align: top;">Outreach activities</td> <td style="padding: 5px;"> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; padding: 2px;">most frequently asked question/topics</td> <td rowspan="7" style="text-align: center; vertical-align: middle;">  </td> </tr> <tr> <td style="padding: 2px;">most frequently used resources</td> </tr> <tr> <td style="padding: 2px;">number of outreach actions completed per hour/day/week</td> </tr> <tr> <td style="padding: 2px;">number of voicemails left</td> </tr> <tr> <td style="padding: 2px;">number of repeat callers</td> </tr> </table> </td> </tr> </table> | change requests | Delivered by mutual agreement of the parties | Applications |  | application status | denial status inquiries from DATAMARK CRM | number of outreach activities per hour per agent | average talk time per outreach | Outreach activities | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; padding: 2px;">most frequently asked question/topics</td> <td rowspan="7" style="text-align: center; vertical-align: middle;">  </td> </tr> <tr> <td style="padding: 2px;">most frequently used resources</td> </tr> <tr> <td style="padding: 2px;">number of outreach actions completed per hour/day/week</td> </tr> <tr> <td style="padding: 2px;">number of voicemails left</td> </tr> <tr> <td style="padding: 2px;">number of repeat callers</td> </tr> </table> | most frequently asked question/topics |  | most frequently used resources | number of outreach actions completed per hour/day/week | number of voicemails left | number of repeat callers |
| change requests | Delivered by mutual agreement of the parties | | | | | | | | | | | | | | | | |
| Applications |  | | | | | | | | | | | | | | | | |
| application status | | | | | | | | | | | | | | | | | |
| denial status inquiries from DATAMARK CRM | | | | | | | | | | | | | | | | | |
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| number of outreach actions completed per hour/day/week | | | | | | | | | | | | | | | | | |
| number of voicemails left | | | | | | | | | | | | | | | | | |
| number of repeat callers | | | | | | | | | | | | | | | | | |

2. Describe your site security and how you will maintain security for remote workers. Both physical and technology security.

Bidder's Response:

DATAMARK's Information Security department is committed to protecting the information we handle on behalf of our customers. We require that each site, department, and customer process adhere to our Information Security Policies, Procedures and Program.

The Information Security department maintains a cybersecurity audit calendar that is reviewed annually and updated as necessary, per policy. The cybersecurity audit calendar ensures the proper identification and remediation of risks and vulnerabilities within the Information Technology (IT) systems and their associated processes. The following is the Information Security cadence for the cybersecurity audit:

Cybersecurity Program

- weekly:
 - WSUS verification
 - employee phishing email campaigns
- bi-weekly:
 - Nessus scans and remediation
 - SentinelOne verification

- monthly:
 - VPN access and MFA audits
- quarterly:
 - active directory audits
 - IT training review
 - vulnerability threat assessment scans
 - privileged user verification
- semi-annually:
 - Service Accounts Audit
 - tabletop exercise for security incident management
- annually:
 - Cybersecurity Month Awareness Campaign
 - Third Party External Vulnerability Penetration Testing
 - Third Party External Vulnerability Threat Assessments
 - Third Party Application Penetration Testing for Customers who require it
 - Third Party Cybersecurity Maturity Assessment
 - Third Party PCI-DSS Certification for Customers who require it
 - Third Party SOC 2 Type II Report for Customers who require it

The Information Security team also performs audits throughout the calendar year of each Customer Process for all global operational sites to ensure compliance with Corporate Policies to include Information Security, Technology, Human Resource and Facilities.

All identified findings are tracked by the Information Security team until closed by the process owner. In addition, the Information Security team performs Physical Site audits of each global operations facility to ensure compliance with the same Corporate Policies.

All audit results are reported to the executive team on the second Monday of each month in the Information Security Governance meetings. These standards are developed in accordance with NIST and ISO standards.

Security Stack

- DMI ensures the safeguarding of information at the network layer via an AT&T Managed Intrusion Detection System and Intrusion Prevention System (IPS/IDS). The IPS/IDS is monitored 24/7 by the AT&T Security Operations Center (SOC).
- DMI secures our endpoints and servers via SentinelOne Next-Gen EDR Antivirus Endpoint Management. All endpoints and servers are required to employ SentinelOne. SentinelOne enables rogue identification functionality. SentinelOne additionally scans all endpoints and servers for application-level vulnerability. SentinelOne alerts are enabled and monitored by DATAMARK's internal Security Operations Center (SOC).
- All servers, network devices and endpoint activity are logged via DATAMARK's SIEM tool Solarwinds. DATAMARK's Security Operation Center and IT Help Desk monitor SolarWinds events 24/7.
- DMI has ensured layered login security via multifactor authentication for the following:
 - VPN - External/Work from home users: **Okta**
 - Cisco network devices: **Radius authentication**
 - Servers: **Okta**
 - Privileged users: **Okta**
- DATAMARK ensures that all systems remain updated with current OS versions via Windows Server Update Services (WSUS). All zero-day vulnerabilities are patched automatically. All other patches are applied within the week of release once DATAMARK's change management process approves.

- DATAMARK ensures that all vulnerabilities are identified and remediated within strict timelines via Tenable Nessus Vulnerability Scanner.
- DATAMARK protects PII, PHI and other sensitive information via the following tools and applications.
 - Mimecast email protection enables the monitoring and prevention of outbound transmission of PII, PHI and other sensitive information via email.
 - Mimecast email protection also quarantines and blocks potentially harmful inbound email.
 - Mimecast Secure Messaging enables the safe and secure receipt and transmission of PII, PHI and other sensitive information via email.
 - Umbrella Data Loss Prevention enables the safe and secure receipt and transmission of PII, PHI and other sensitive data sessions. It monitors and protects sensitive data transmission by inspecting data inline* with full SSL inspection via SWG proxy.
- DATAMARK blocks the access and session of potentially malicious internet sessions via Monitor and protects sensitive data transmission by inspecting data inline* with full SSL inspection via SWG proxy.
- DATAMARK Security Operations Center performs real time monitoring of SentinelOne, SolarWinds, Nessus, BitSight Rating, and Video Surveillance Systems.

User Awareness

- All employees are enrolled in Mimecast Phishing email training and simulations. Results are reported in the monthly Information Security Governance meetings for visibility and accountability.
- All employees must complete Cyber Awareness Training at the time of hire and annually thereafter.
- All employees must complete HIPAA training at the time of hire and annually thereafter.
- DATAMARK Information Security team conducts information security training for all employees annually.

Physical Security

- DATAMARK ensures the safeguarding of employees and data by monitoring all global sites and projects via video surveillance systems. All recordings are maintained for 90 days per PCI-DSS requirements.
- DATAMARK utilizes Third-Party Security Monitoring of security and fire alarm systems 24x7x365.
- Access to DATAMARK sites is restricted only to employees who are assigned to those sites. Each site has an Access Control System which allows access to each employee only to the customer process or department in which they are assigned. Visitors to the sites are limited only to those with a business need and must go through security at the site and must be always escorted by a DATAMARK employee while on-site.

Work at Home

- Multi-factor authentication (MFA) will be required.
- Remote endpoint management.
- Redundant VPN connectivity will be in place in the event of a technical outage with the Primary VPN.
- Only contractor-owned or controlled laptops will be allowed, no personal desktops or laptops will be allowed.
- Contractor's laptops will be hardened to limit functionality to only what employees require to perform their job function.
- Laptops will have SentinelOne Next-Gen EDR installed and active.

- Information Security will perform monthly Tenable Nessus Scans on laptops to identify vulnerabilities for remediation.
- Employees are required to sign a company agreement for compliance with security and confidentiality in the WFH setting. Agreement includes covenants against violation of any of contractor's duties of confidentiality and non-disclosure under the agreement

3. Describe your language capabilities, including the percentage of call center staff who are bilingual in English and Spanish, and any other languages available. Describe how you will ensure that call center staff are able to communicate with individuals in multiple languages.

Bidder's Response:

As a community on the US/Mexico border, El Paso, Texas – with an 80.2 percent Hispanic or Latino population, 68 percent Spanish-speaking – has long been a haven for the contact center industry. The bedrock bilingual character of the region has given DATAMARK and other companies a natural advantage in skills and recruitment. Over 15% of our total staff is bi-lingual in English and Spanish with capabilities to hire as effectively as our clients demand due to our strategic locations.

It has become apparent that with the prevalence of communication taking place virtually, call center language capabilities are not confined solely to English and Spanish. Supporting a client that provides interpretation services in 22 languages (see specific languages below), gives DATAMARK an advantage in that we have easy and quick access to interpretation services as needed.

- 1 French
- 2 German
- 3 Burmese
- 4 Portuguese
- 5 Arabic
- 6 Italian
- 7 Turkish
- 8 Hindi
- 9 Urdu
- 10 Gujarati
- 11 Punjabi
- 12 Bengali
- 13 Nepali
- 14 Sylheti
- 15 Malayalam
- 16 Telugu
- 17 Tamil
- 18 Spanish
- 19 French/Creole
- 20 Haitian/Creole
- 21 Russian
- 22 Dutch

DATAMARK average connection time for each language:

1. Calls are answered in an average of 10-35 seconds, based on client needs.
2. Percent of calls for each language that are not able to be filled within 2 minutes: 0.45
3. 24/7 support offered for all languages as needed.

4. Describe your experience handling Personal Protected Information (PPI) and Health Insurance Portability and Accountability Act (HIPAA) information, including any HIPAA training that employees have previously received. If you are a covered entity under HIPAA, please provide the number of breach notifications you reported to Office of Civil Rights in the last 3 years. If you are a business associate under HIPAA, please provide the number of security incidents which required notifications to Office of Civil Rights for any covered entities for which you are a business associate in the last three (3) years.

Bidder's Response:

DATAMARK provides contact center and back-office services for entities in the health care and insurance industries. For this reason, our agents safely handle PII and HIPAA client data daily, as a matter of both policy and practice. Serving ACCESSNebraska will take an expansion but not a new education.

Policies and Procedures

DATAMARK data loss prevention policies and procedures require that we safeguard the following:

- Social Security numbers
- credit card numbers
- personal identifiable information (PII)
- protected health information (PHI)
- national ID numbers
- financial reporting

In the event of a potential violation, DATAMARK security follows our Investigation of Potential HIPAA Violation policy and procedures.

Personnel and training

Each new hire completes HIPAA Privacy Essentials training and signs a form acknowledging such training (see below). Our legal department reviews this policy annually. If changes are made, a new employee acknowledgement is required.

Every employee is mandated to complete annual HIPAA training through our learning platform.

Work environment

Our trained agents operate a paperless and electronic-free production floor environment to prevent any data transfer that could cause a violation. Agents cannot take paper, pens, or cellular phones into operational areas.

Agents are drilled by supervisors to lock their computers and remove their personal identity verification (PIV) cards each time they leave their desks. All agents have their own credentials to log in to their computers.

All employees have an assigned locker to place their belongings in before entering the production environment. This gives them a convenient space to place forbidden objects, thereby reducing violations.

Caller authentication

The DATAMARK caller authentication process ensures we release the right information to (only) the right people (See the table and document below for exact details). Through training and supervisory reinforcement, our agents are drilled in the importance of:

- completing the authentication process for each caller
- withholding information from callers whom we cannot authenticate

If agents fail to authenticate a call, they receive an automatic zero score on the quality evaluation form given for each call.
Below is an example of an authentication table our agents use:

| | Claimant | Provider | Claims Examiner |
|--|--|--|---|
| Program 1 Exception: No AREP needed as long as the caller can authenticate claimant info | Obtain: Case # Ask caller to verify: Claimant's name and DOB <i>If no Case # available</i> Obtain: SSN # Ask caller to verify: Claimant's name, DOB, DOI and address | Obtain: Provider ID # Ask caller to verify: Provider Name, and Facility Name as listed If no Provider ID available Obtain: Provider Tax ID # Ask caller to verify: Provider/Facility Name and address as listed. | Obtain: Case # Ask caller to verify: Claimant name and DOB Will need to document: <ul style="list-style-type: none"> • CE's full name (First and last) • District office |
| | Claimant | Provider | Claims Examiner |
| Program 2 | Obtain: Case # Ask caller to verify: Claimant's name and DOB <i>If no Case # available</i> Obtain: SSN # Ask caller to verify: Claimant's name and DOB | Obtain: Provider ID # Ask caller to verify: Provider Name, and Facility Name as listed If no Provider ID available Obtain: Provider Tax ID # Ask caller to verify: Provider/Facility Name and address as listed. | Obtain: Case # Ask caller to verify: Claimant name and DOB Will need to document: <ul style="list-style-type: none"> • CE's full name (First and last) • District office |
| Program 3 | Obtain: Case # Ask caller to verify: Claimant's name and DOB <i>If no Case # available</i> Obtain: SSN # Ask caller to verify: Claimant's name and DOB | Obtain: Provider ID # Ask caller to verify: Provider Name, and Facility Name as listed If no Provider ID available Obtain: Provider Tax ID # Ask caller to verify: Provider/Facility Name and address as listed. | Obtain: Case # Ask caller to verify: Claimant name and DOB Will need to document: <ul style="list-style-type: none"> • CE's full name (First and last) • District office |

DATAMARK mandates that all employees complete HIPAA Privacy Essentials training at the time of hire and annually thereafter. Our HR office maintains evidence of the employee's certification and acknowledgement upon completion of training. This policy is reviewed on an annual basis with legal and if any changes are made, a new employee acknowledgement is required.

Below is an example of our employee acknowledgement form inclusive of the HIPAA Privacy Essentials Training completion:



Safety, Security, and Harassment Training Memo

DATAMARK, in an effort to educate all employees on their responsibilities in creating and maintaining a work culture and environment free from safety and security violations and sexual harassment, requires all employees to complete the following training courses upon hire and on an annual basis thereafter.

- The following training topics are mandatory to all employees:
- **Global Workplace Harassment Prevention for Employees**
 - **HIPAA Privacy Essentials**
 - **Office Safety 2.0**
 - **Global Privacy and Information Security**
 - **Cybersecurity and Online Habits**

Training Acknowledgment:

I, the undersigned, hereby acknowledge that I have received DATAMARK’s Safety, Security, and Harassment Training. I understand that as an employee, it is my responsibility to abide by DATAMARK’s policy and procedures, in accordance with the training.

If I have questions about training, materials presented, or DATAMARK policy or procedures, I understand that it is my responsibility to seek clarification from the Security and Human Resources Departments.

Employee Name (Please Print)

Date Attended Training

Employee Signature

Human Resources Representative

Date

A copy of this form will be stored in your personnel file.

CORP-HR-P072-SOP001-WI001-F002

Revised October 2022

DATAMARK has Data Loss Prevention Policies and Procedures in place that require that we safeguard the following:

- Social Security Numbers
- Credit Card Numbers
- Personal Identifiable Information (PII)
- Protected Health Information (PHI)

- National ID Numbers
- Financial reporting

We ensure the security of the information by utilizing the following:

- Email- Mimecast scans outbound emails globally for items such as:
 - Social Security numbers
 - Credit card numbers
 - PII
 - PHI
 - National ID numbers
 - Financial reporting
- File transfer tools- SentinelOne NexGen EDR allows us to block the following
 - Removeable media
 - Picture Transfer Protocol (PTP)
- Instant Messaging-
 - Umbrella blocks access to all instant messaging tools.
- Social media
 - Blocked via Umbrella. Not permitted for HIPAA supported environments.
- Web pages and proxy traffic
 - Monitored and filtered via Umbrella
- Removable media
 - Blocked via SentinelOne and bios settings.

If there is a potential violation, DATAMARK security follows out Investigation of Potential HIPAA Violation policy and procedures.

DATAMARK has not had to report any breach notifications to the Office of Civil Rights for itself nor for any associated entities for the past three years.

5. Describe how you will securely print and mail documents.

Bidder's Response:

DATAMARK provides printing equipment and secure office space to protect printouts and mailings with sensitive data. A working space of approx. 200 square feet would contain:

- two (2) Hewlett Packard M712dn printers (or equivalents), with a very high duty cycle and native duplex capability.
- tables for folding, inserting, and metering printouts and mailings
- storage for paper, envelopes, and toner

Entrance is limited to authorized employees with a business need. To enter the workspace, each authorized employee swipes a specialized card through a card reader.

The volume of calls will determine the volume of follow-up mailings. If necessary, we can meet a follow-up volume of 100 percent. With no specific turn-around times, higher volumes of mail can be spread over two to three working days. Pass-through costs would include paper, toner, and metering costs, count of cover pages vs. the number of files in the incoming print folder and the number of files in the daily output folder.

Printed documents will be half-folded (for 8.5x11 pages) and inserted with the delivery address showing in the bottom-left window of the 6x9 envelope. Postage would be applied via a meter. All outgoing mail items would be delivered to the USPS on a scheduled delivery run.

Misprinted pages would be deposited into a locked secure-shred container. The container would be serviced by a secure shredding service (such as Shred-It) and a proof of destruction certificate would be provided after each shredding event.

6. Describe how you will ensure that any data resulting from services provided is properly secured according to the requirements in this RFP and is not used, accessed, or disseminated by any method or for any reason not authorized by DHHS.

Bidder's Response:

DATAMARK provides contact center and back office services for entities in the health care, insurance and financial industry including the US Department of Labor's Office of Worker's Compensation Programs. For this reason, our agents are contractually obligated to comply with strictest of information security requirements and securely handle PII and HIPAA information daily.

Our policies and procedures have been tailored to exceed our client contractual obligations. The information security protocols that we have in place today will exceed the requirements for serving ACCESSNebraska.

Policies and Procedures

DATAMARK's extensive portfolio of policies and procedures regarding information security, technology, human resources and production operations ensure we have the processes and technology in place to securely handle the confidential information on behalf of our customers. Our ongoing audits of our processes, procedures, technology, reporting, security, etc. ensure that all departments are complying with our company policies.

Personnel and training

As stated in #4 above, each new hire completes HIPAA Privacy Essentials training at the time of hire and annually thereafter and are required to sign acknowledging the training. Our Security & Compliance Officer reviews this policy annually. If changes are necessary, a new employee acknowledgement is required. In addition, each employee goes through training for Global Workplace Harassment Prevention for Employees, Office Safety, Global Privacy and Information Security, and Cybersecurity and Online Habits.

Work environment

Our trained agents operate a paperless production environment to prevent any data transfer that could result in a security violation. Agents cannot take paper, pens, or cellular phones into operational areas unless a specific requirement per the service we provide. In some cases, the agents use Boogie Board Tables for note taking during calls and can erase their notes with the push of a button when ready to take the next call.

Agents are required to lock their computers and remove their personal identity verification (PIV) cards, if applicable, each time they leave their desks. All agents have their own unique credentials to log in to their computers.

All employees have an assigned locker to place their belongings in before entering the production environment. This allows them to leave any personal belongings such as cell phones, backpacks, purses, etc. in their lockers.

7. Describe your ability to meet the facility requirements for the printing functions.

Bidder's Response:

DATAMARK has printing equipment and secure office space to protect printouts and mailings with sensitive data. A working space of approx. 200 square feet would contain:

- two (2) Hewlett Packard M712dn printers (or equivalents), with a very high duty cycle and native duplex capability.
- tables for folding, inserting, and metering printouts and mailings
- storage for paper, envelopes, and toner

Entrance will be limited to authorized employees. To enter the workspace, each employee will swipe a specialized card through a card reader.

The volume of calls will determine the volume of follow-up mailings. If necessary, we can meet a follow-up volume of 100 percent. With no specific turnaround times, higher volumes of mail can be spread over two to three working days.

8. Describe your approach to workforce planning, including the speed, agility, and flexibility necessary to match your workforce to the fluctuating demand of this contract. Response should include a description of equipment provided to staff.

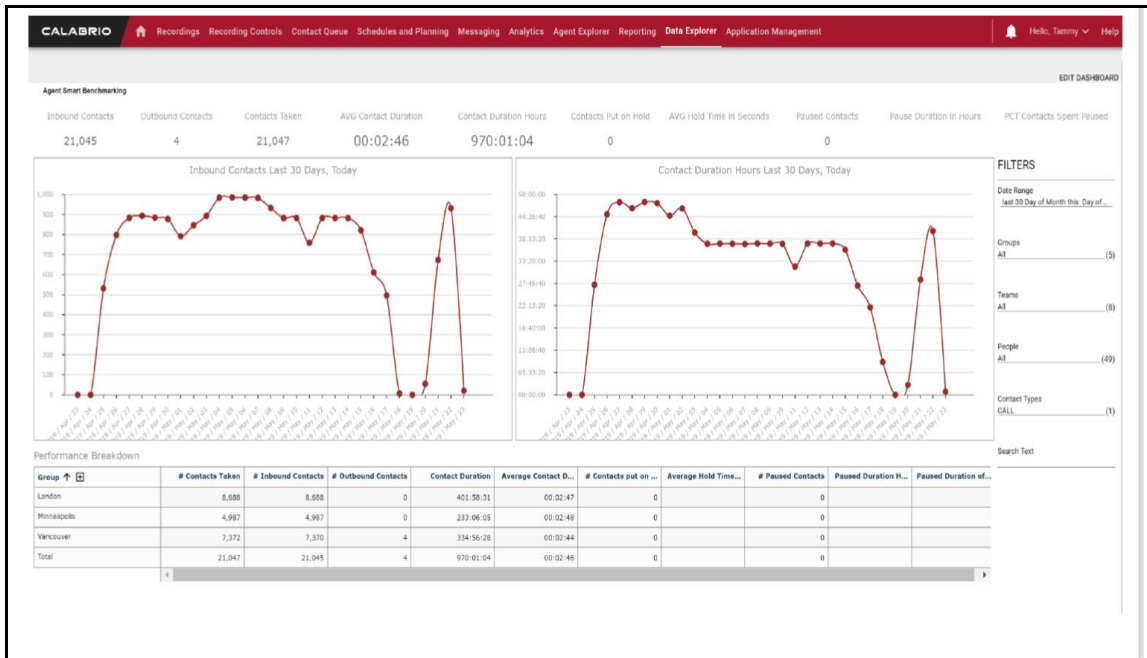
Bidder's Response:

DATAMARK understands that workforce planning is critical to providing an efficient and seamless customer experience to DHHS customers. DATAMARK utilizes the industry-leading workforce management tool Calabrio to provide real-time forecasting, scheduling, shift bidding and adherence.

Calabrio provides DATAMARK staff the ability to plan multiple months ahead to forecast staffing requirements to address the peak and valleys of volume spikes, as well 15-minute interval level staffing schedules, to ensure the average speed of answer of five minutes is always met.

DATAMARK manages SLAs and staff according to absenteeism, attrition, and real-time adherence.

DATAMARK understands that DHHS volume will peak upwards of 4,500 calls per day, Calabrio provides DATAMARK the ability to create "what-if" scenarios, on the fly such that DATAMARK can meet with fluctuating demand of DHHS customers.



DATAMARK provides access to Calabrio for all agents, staff and DHHS staff to view real-time scheduling and volume data, where agents can see their schedule for the day, week and month, as well as request changes to their schedule to address agent individual needs.

DATAMARK uses consistent new hire selection practices tailored to the specific needs of the applicable job.

- 1) Pre-hire job previews – To set expectation and motivation, DATAMARK previews show the company value proposition to each prospective employee:
 - What will they learn?
 - What will be the expectations?
 - How will they be measured?
 - What advancement potential is there?

- 2) Operational involvement in hiring – In addition to our HR screening practices, Operations leaders review resumes and conduct interviews to find and match the desired skills.

On-Boarding Approach

- A consistent methodology that has been proven over time
- The right talent can be identified and on-boarded quickly and efficiently.



1 Understand need and determine requirements

2 Leverage DATAMARK best practices to develop complete standard

3 Implement process maps, work instructions and checklists

4 Monitor performance through audits and apply continual improvement

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- Basic Administrative and Cleric Skills Tests
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- Behavioral and Cognitive Tests
- Accounting and Finance Tests
- Call Center and Customer Service Tests
- Legal Office Skills Tests
- Industrial Skills Tests
- Human Resource Skills Tests
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Powerfully simple pre-employment testing

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- Proven methods for predicting job performance
- Assesses cognitive ability, motivation and personality
- Make more informed hiring decisions
- Improve your employee retention
- Start testing in minutes from any device



- Background checks
- Drug testing

- We leverage DATAMARK best practices and world-class tools from respected partners to develop a complete process with reliable standards that are second to none.

DATAMARK understands the importance of identifying the right agents who will deliver the highest level of customer service care to Nebraskans. The active El Paso call center market provides DATAMARK with:

- an internal pool of proven candidates from DATAMARK's current customer service representatives (CSRs) ready for advancement
- experienced supervisor/trainers who can draw on talented CSRs they have worked with in the past
- effective social media advertising that consistently drives applicants to our website. One call center project was featured on local news and brought in a surplus of candidates.
- current agents bring in qualified applicants for referral bonuses.
- good response from Indeed, LinkedIn, and other sources.

Our online applicant tracking system (ATS) allows for electronic applications and resumes to be submitted outside of our website, allowing us to screen from a larger pool of candidates in a time-sensitive and efficient manner.

Contact Center Personnel Screening/Testing/Scoring ApproachPhase I: Experience

- Educational background appropriate to the position
- Previous contact center experience
- Other: Lean Six Sigma background is a plus for managers/supervisors/trainers.

Phase II: Aptitude Testing

- Wonscore cognitive ability, motivation, and personality test for:
 - learning and problem-solving skills
 - job and performance motivation, and
 - culture fit to the organization
- Call Center Aptitude Screening – CSR testing/screening includes a host of screening tests from our Kenexa Prove It! software.
 - friendly nature
 - other's focus (helpful nature) and the ability to empathize with the caller
 - clear communicator with a pleasant voice/clear tone
 - written English and proficiency in speaking English/Spanish
 - telephone etiquette (English/Spanish)
 - effective listening skills
 - trouble-shooting skills to diffuse frustrated callers
 - ability to ask good questions
- For manager/supervisor level:
 - leadership skills
 - strong relational skills
 - analytical skills

Phase III: Two-part interview process

Those with passing scores will move to face-to-face situational interviews with Human Resources and then a supervisor. Interviews can be conducted in both English and in Spanish, as required. We use situational interviews to test for:

- culture fit/adherence to company values
- problem-solving
- empathy
- motivation level
- core competencies
- leadership potential

Phase IV: Background checks

- drug test
- background check for every hire
- reference check for higher level applicants

Upon being hired, staff are equipped with a laptop, additional monitor (or two, depending upon the project), headset and a camera, if needed.

9. Describe your quality monitoring processes.

Bidder's Response:

Based on customer requirements, DATAMARK will create a business process management system (BPMS). This uses the criteria and process inputs to ensure and verify that calls meet client-specific quality objectives and desired outcomes throughout the call process lifecycle.

A team of quality assurance auditors randomly audits 2 percent of the daily calls handled by all agents taking calls; this percentage is a representative sample to comply with 97 percent of satisfactory calls.

Using Calabrio One and predefined quality scorecard forms as data management tools, the auditors listen to recorded calls to evaluate all sections and results – by agent, by supervisors, and overall. Supervisors meet with agents to provide feedback and guidance in areas of opportunity.

Managers can move an agent to a nesting area either for low-quality score results or for refresh training needs. In that case, they will coordinate with the Training department and auditors to provide the proper support to agents and ensure good call quality. (Quality scorecard form attached below.)

Established recurrent call calibration with the customer helps to identify procedure improvements, reinforce process rules, create scripts, etc.

Reporting daily results in quality are done through calls audited, quality results (CSAT scores), trends, and opportunities.

Example QSC:



Quality Evaluation Form

Treat others with respect, work as a team, act with integrity and be teachable!

| | |
|------------------------|-----------------------|
| CSR Name: | Contact ID#: |
| SR: | Date of Call: |
| Date Evaluated: | Call Duration: |

| ble Point | Points Earned | Criteria | Comments |
|-------------------------------------|---------------|--|----------|
| Opening (20 Points) | | | |
| 5 | 5 | Greeted the caller using the approved scripting | |
| 5 | 5 | Followed Authentication Process (Failure to authenticate properly will result in the call to be closed) | |
| 5 | 5 | Provided Reference ID number at the beginning of the call (SR # should be given on every call and every new claimant and/or provider) | |
| 5 | 5 | Reiterate the reason for the call and provide a willingness statement to assist. | |
| Customer Service (30 points) | | | |
| 5 | 5 | Used active listening skills. Did the agent verify the reason for calling? | |
| 5 | 5 | Professional at all times (using profanity, hanging up on caller and refusing to assist, will result in automatic fail call) | |
| 5 | 5 | Showed empathy/ sympathy as needed or interest in resolving issue | |
| 5 | 5 | Minimal Dead Air | |
| 5 | 5 | Followed hold procedures (includes 2 min timeframe) | |
| 5 | 5 | Followed de-escalation process if escalated did the agent use the A.S.A.P procedure? | |
| Call Accuracy (40 points) | | | |
| 15 | 15 | Provided correct information, followed correct process and procedure, and provided the correct time frame based on what Exam's, Portal and Salesforce had available at the time of the call and what the caller was inquiring about. | |
| 10 | 10 | Created a Salesforce Ticket and notated correctly, using correct template and added all pertinent information on the notes. | |
| 10 | 10 | Did the agent give correct information and followed correct process before getting approval for the ticket to go to the back office? | |
| 5 | 5 | Handled the call efficiently and effectively by demonstrating call control. | |
| Closing (10 points) | | | |
| 5 | 5 | Closed or escalated ticket correctly. | |
| 5 | 5 | Closed call using correct script including offering the IWR and Web Portal Self Services. | |
| 100 | 100 | | |

10. Describe your ability to meet the timelines established in this RFP for reporting and quality monitoring.

Bidder's Response:

All reporting and quality monitoring tasks will be identified and included in the master project plan according to DATAMARK project management methodology, following best practices from existing projects and specifically customized to project needs.

Based on the daily operations performance plan, reporting and monitoring tasks are part of the critical process metrics for KPIs such as: adherence, efficiency, calls offered, calls taken, AHT, ACW, hold time, occupancy, first call resolution, CSAT, attendance, headcount, and any other metrics to deliver operational excellence.

Our SMEs will design the right skilling process to ensure all calls are given the right priority and meet KPIs, using key factors in the CMS design (i.e., VDN queues, skill levels, greatest needs, etc.)

We measure, track, and report on all SLAs on a daily, weekly, and monthly basis. We comply with the total report requirements per Section 2.

11. Describe your maximum call capacity and the timeframe required to increase call capacity.

Bidder's Response:

Based on scientific methodologies (Erlang), we define process capability using AHT, shrinkage, utilization, and call volume as inputs to create schedules by intervals, including breaks/lunches and shifts needed to cover process requirements.

We will assemble hiring and training timeframes by creating a reliable forecast and partnering with you. Also, DATAMARK proactively will schedule recurrent training classes based on forecast and attrition (timelines may vary based on ramp-up needs and process complexity).

Currently, there's a skilled workforce available to comply with your business demands (a customized and detailed plan will be created to meet your needs).

12. Describe your capacity of in-house trainers and approach to on-boarding new call center staff to the project.

Bidder's Response:

Operational excellence is obtainable through the management of our greatest asset, our employees. Utilizing our proven employee recruitment and training programs previously discussed, we are able to further realize the benefits of tenured employees.

- Minimal employee turnover, resulting from:
 - Growth Availability: readership training, community awareness, skills development, and career paths
 - Performance Management: regular coaching and daily feedback to all employees
 - Recognition and Appreciation: regular recognition for performance and reward

programs for employees exceeding the expectation to include monetary rewards and incentive bonuses.

- Increased employee retention results in:
 - Maintained quality expectations
 - Strong customer relationships
 - Minimal time and cost associated with training quality CSRs.
 - Decreased number of escalations



Talent Acquisition approach:

As we identify and hire the optimal candidates for each given service, onboarding each new employee to our company and your brand becomes the next critical step. The DATAMARK comprehensive onboarding process is designed to connect each employee to corporate strategy and company culture, motivate ongoing employee engagement, and thus yield low attrition rates and build a team of dedicated and compassionate customer service agents. DATAMARK's comprehensive training programs are comprised of both classroom training and nesting in the operational environment; timing for each varies on complexity of each individual project and tailored to each our partners' requirements and needs. Below are a few features of our on-boarding program.

- DATAMARK provides **web-based tools** to assist with the on-boarding process to make new hire orientation as challenge-free as possible. However, DATAMARK still maintains the importance of having a strong human element during the initial orientation to help each new employee feel welcome.
- DATAMARK emphasizes the **client culture** throughout all areas of the client operation. In this way, employees are made to really understand the mission and vision of our clients' companies, and thus to feel that they not only work for and represent DATAMARK, but also that they directly work for and represent the end customer. This ensures that employees truly understand the *role* that they play in daily operations and work to fulfill client goals as an extension of you.
- During the end-to-end training process, **Transition Training** is in place to show each employee that the company cares about their success. By investing extra resources into 1-on-1 assistance in a controlled Production environment, employees are made to feel confident in their abilities before they are released on their own.
- Once employees are released to the standard Operational environment, whether it be in an office or at home, a **peer mentor** is assigned. The experienced employee can assist directly as needed on any troublesome work tasks that may arise.
- **Ongoing Training** is a key component to the comprehensive integration of an employee into our DATAMARK culture and process.



- The **career planning** that starts at orientation for every employee turns into very specific development plans where employees learn new things on a pre-determined scheduled and thus stay engaged on an on-going basis.
- DATAMARK regularly utilizes **team activities and events** to integrate newer staff into the existing team by facilitating interaction by planning scheduled luncheons, contests, celebrations, and recognition events.
- DATAMARK also uses **new employee satisfaction surveys** to gauge engagement and receive feedback and recommendations that allow management to take action toward retention when necessary. These surveys differ from regular annual employee surveys as they are geared toward addressing early issues and thus advance employees past the tipping point where they are willing to stay long term.

With all of these elements in place, DATAMARK continuously works to nurture all employees through training and beyond.

13. Describe your staff retention policies and the average employee length of service.

Bidder's Response:

DATAMARK has been in operation since 1989. We have employees who have been with the company since its inception, as well as a large population of workers who have double-digit years of tenure. Our current average tenure as a company currently stands at 1.6 years.

The continued success of DATAMARK is dependent upon our employees' adherence to the highest ethical and professional standards. It is imperative that we hold one another accountable to these standards and to make them the basis for decision-making. As employees of DATAMARK, we are committed to creating and sustaining an ethically sound environment that encourages all individuals to reach their fullest potential through communication, training, and the proper resources to perform their work.

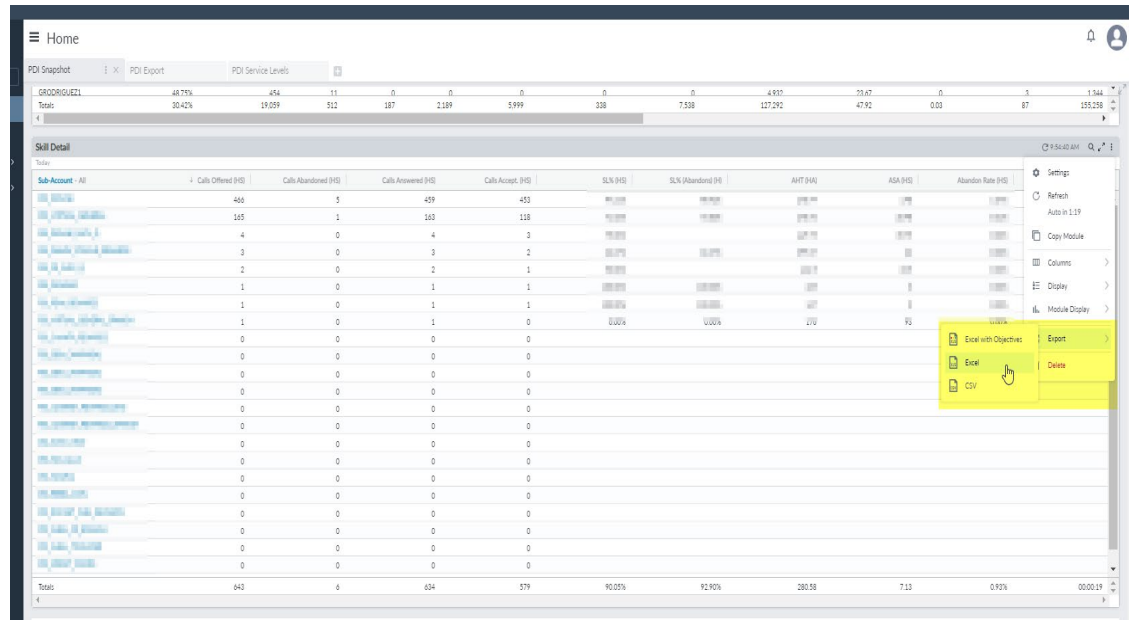
DATAMARK has developed a culture around positive employee recognition and engagement. Some examples of such engagement include site-specific newsletters, team activities and recognition of superior achievements.

We focus on the enrichment of our employees' experience by providing competitive pay & benefits, advancement opportunities, career planning, recognition & engagement.

14. Describe your ability to meet the reporting requirements set forth in Section V.C.2. including ad hoc reporting capabilities.

Bidder's Response:

Ad hoc reporting is critical to making data driven decisions to support the immediate needs of the business. DATAMARK will provide DHHS with real-time and historical interval-level reports that can be fully customized and exported to fulfill DHHS requirements. As shown by the screenshot below, DHHS will have the capability to run and export reports on all KPIs.



15. Describe how DHHS staff will access your Automated Call Distribution (ACD) software to view real-time wait times and available call capacity.

Bidder's Response:

Real-time visibility into the contact center operation (e.g., KPIs such as wait times, agent availability and service levels) is critical to the business.

DATAMARK will provide DHHS named access into the ACD software via a secure authenticated portal. This access will allow DHHS members to view real-time customizable dashboards on all metrics requested. DATAMARK will partner with DHHS to understand your specific reporting requirements and calculations to ensure all reporting and KPIs are available at go-live.

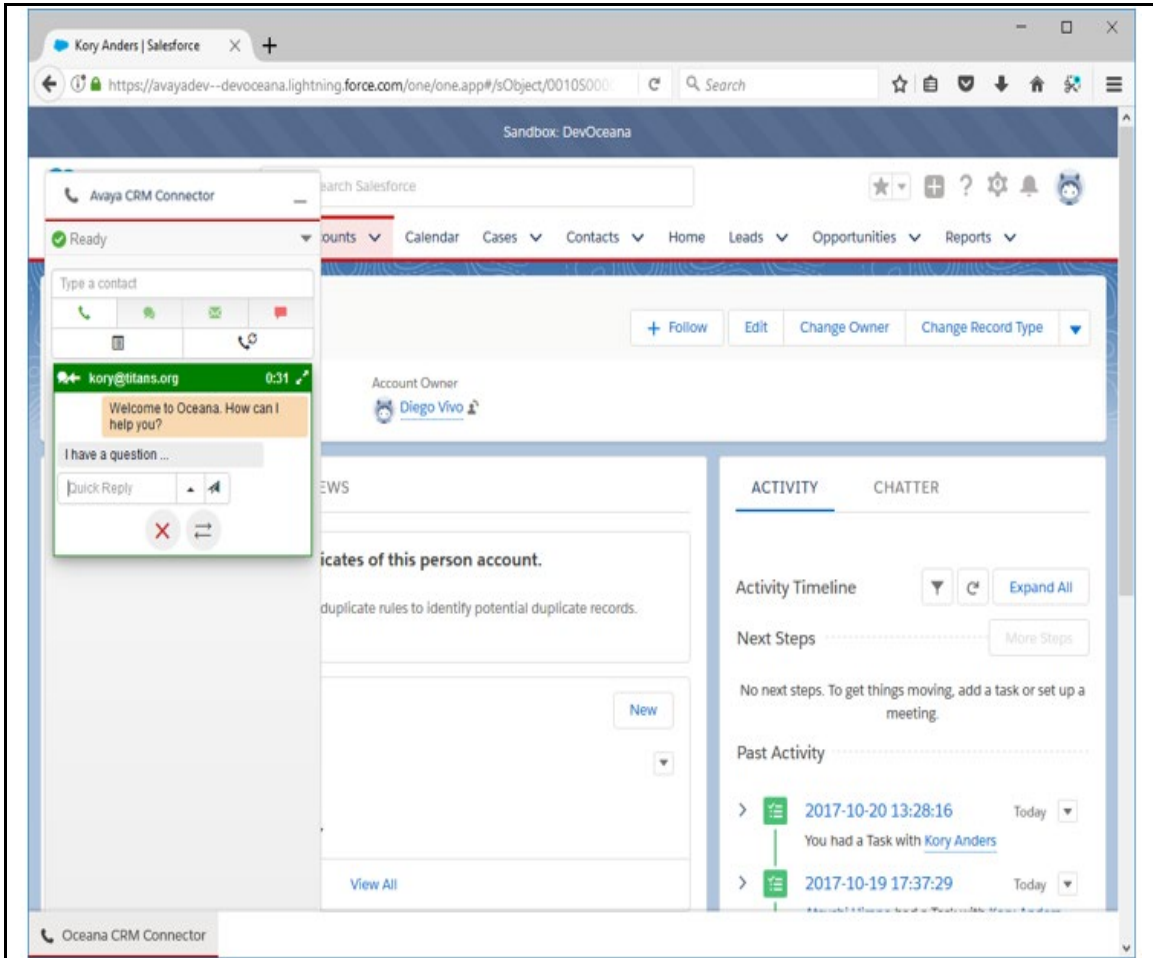
DATAMARK also has the capability to monitor interactions in real-time using speech and text analytics. This real-time monitoring facilitates continuous improvement of contact center functions, including:

- summarization of call details (further reducing after-call work time)
- initiation of workflow actions
- enhanced compliance practices
- identify calls real-time

16. Do you use an off-the-shelf Customer Relationship Management system, or one developed in house? If off the shelf, please specify the product and company. Please describe the capabilities of the Customer Relationship Management systems in use.

Bidder's Response:

DATAMARK recognizes that a personalized, reliable, and scalable Customer Relationship Management system is a critical component within every contact center operation. DATAMARK utilizes industry-leading Salesforce Service Cloud as our Customer Relationship Management (CRM) system. Leveraging Service Cloud allows our contact center agents to service DHHS customers in a single pane of glass. This begins with our ACD platform being synchronized into the CRM platform via computer telephony integration (CTI). As shown by the screenshot below, our agents no longer need multiple windows, applications, or tabs open, as we utilize a seamless integration directly into the Salesforce tool.



Upon receiving a call, email or chat, our agent **has** a personalized Service Cloud experience with all necessary information about the caller, why they are contacting us, and what they need help with. DATAMARK employs multiple Salesforce Admins who customize each Salesforce Org to DHHS business-specific needs. As with any organization, integrating and utilizing multiple legacy systems is a challenge; with simple customization and setup, DATAMARK can integrate with any downstream proprietary system using a variety of methods including data loads, APIs or automated screen-pops.

Using the built-in Salesforce Knowledge Base, DATAMARK agents also **have** real-time access to knowledge articles, how-to information and helpful documents to ensure a seamless, quick and consistent customer experience.

Upon completion of the contact, DATAMARK agents will leave valuable case notes, which are used to identify trends and call drivers, and to assist future agents with complex calls.

In all contact centers, reporting is extremely important. Salesforce CRM provides real-time reports and dashboards to identify call, email and chat volumes, trends and call-drivers, customer satisfaction, first call resolution and other KPIs.

5. COST PROPOSAL

| ATTACHMENT 4 | |
|--|---------------|
| COST PROPOSAL SHEET | |
| Bidder Name | DATAMARK Inc. |
| ONE TIME COST | |
| Startup Plan /Implementation Cost | \$748,289 |
| PASSTHROUGH COSTS | |
| Cost per page, single sided printing | \$0.0317 |
| Training Cost Per Hour/Per Person | \$35.64 |
| Note: Mailing cost will be reimbursed per current US postal rates with no additional markup. | |

| COST PER CALL FOR INITIAL THREE-YEAR PERIOD | | | | | | | | |
|---|---|---------------------------|--------------------------------|--------------------------|---------------------------------|---------------------------|----------------------------------|----------------------------|
| Service | | Average Handle Time (AHT) | Number of calls/actions Tier I | Cost Per Call for Tier I | Number of calls/actions Tier II | Cost Per Call for Tier II | Number of calls/actions Tier III | Cost Per Call for Tier III |
| Inbound | A | 11:00-15:00 | 6,000-16,999 | \$12.33 | 17,000-27,999 | \$12.33 | 28,000-40,000 | \$12.33 |
| | B | 15:01-20:00 | 1,400-3,599 | \$14.39 | 3,600-5,799 | \$14.39 | 5,800-8,000 | \$14.39 |
| | C | 20:01-25:00 | 1,400-3,599 | \$18.50 | 3,600-5,799 | \$18.50 | 5,800-8,000 | \$18.50 |
| | D | 25:01-30:00 | 1,400-3,599 | \$22.61 | 3,600-5,799 | \$22.61 | 5,800-8,000 | \$22.61 |
| | E | 30:01-35:00 | 1,400-3,599 | \$22.61 | 3,600-5,799 | \$22.61 | 5,800-8,000 | \$22.61 |
| Outreach | A | 8:00 -12:00 | 1,400-3,599 | \$9.87 | 3,600-5,799 | \$9.87 | 5,800-8,000 | \$9.87 |
| | B | 12:01 - 16:00 | 1,400-3,599 | \$11.51 | 3,600-5,799 | \$11.51 | 5,800-8,000 | \$11.51 |
| | C | 16:01 - 20:00 | 1,400-3,599 | \$14.80 | 3,600-5,799 | \$14.80 | 5,800-8,000 | \$14.80 |
| Back Office Processing | A | 4:00-8:00 | 1,400-3,599 | \$5.37 | 3,600-5,799 | \$5.37 | 5,800-8,000 | \$5.37 |
| | B | 8:01 - 12:00 | 1,400-3,599 | \$6.68 | 3,600-5,799 | \$6.68 | 5,800-8,000 | \$6.68 |

Business Proposal

Prepared for: Nebraska DHHS

| | | | | | | | | |
|--|---|-------------|-------------|--------|-------------|--------|-------------|--------|
| | C | 12:01-16:00 | 1,400-3,599 | \$9.32 | 3,600-5,799 | \$9.32 | 5,800-8,000 | \$9.32 |
|--|---|-------------|-------------|--------|-------------|--------|-------------|--------|

COST PER CALL FOR RENEWAL PERIOD 1

| Service | | Average Handle Time (AHT) | Number of calls/actions Tier I | Cost Per Call for Tier I | Number of calls/actions Tier II | Cost Per Call for Tier II | Number of calls/actions Tier III | Cost Per Call for Tier III |
|------------------------|---|---------------------------|--------------------------------|--------------------------|---------------------------------|---------------------------|----------------------------------|----------------------------|
| Inbound | A | 11:00-15:00 | 6,000-16,999 | \$13.48 | 17,000-27,999 | \$13.48 | 28,000-40,000 | \$13.48 |
| | B | 15:01-20:00 | 1,400-3,599 | \$15.72 | 3,600-5,799 | \$15.72 | 5,800-8,000 | \$15.72 |
| | C | 20:01-25:00 | 1,400-3,599 | \$20.21 | 3,600-5,799 | \$20.21 | 5,800-8,000 | \$20.21 |
| | D | 25:01-30:00 | 1,400-3,599 | \$24.71 | 3,600-5,799 | \$24.71 | 5,800-8,000 | \$24.71 |
| | E | 30:01-35:00 | 1,400-3,599 | \$24.71 | 3,600-5,799 | \$24.71 | 5,800-8,000 | \$24.71 |
| Outreach | A | 8:00-12:00 | 1,400-3,599 | \$10.78 | 3,600-5,799 | \$10.78 | 5,800-8,000 | \$10.78 |
| | B | 12:01-6:00 | 1,400-3,599 | \$12.58 | 3,600-5,799 | \$12.58 | 5,800-8,000 | \$12.58 |
| | C | 16:01-20:00 | 1,400-3,599 | \$16.17 | 3,600-5,799 | \$16.17 | 5,800-8,000 | \$16.17 |
| Back Office Processing | A | 4:00-8:00 | 1,400-3,599 | \$5.87 | 3,600-5,799 | \$5.87 | 5,800-8,000 | \$5.87 |
| | B | 8:01 - 12:00 | 1,400-3,599 | \$7.30 | 3,600-5,799 | \$7.30 | 5,800-8,000 | \$7.30 |
| | C | 12:01-16:00 | 1,400-3,599 | \$10.18 | 3,600-5,799 | \$10.18 | 5,800-8,000 | \$10.18 |

COST PER CALL FOR RENEWAL PERIOD 2

| Service | | Average Handle Time (AHT) | Number of calls/actions Tier I | Cost Per Call for Tier I | Number of calls/actions Tier II | Cost Per Call for Tier II | Number of calls/actions Tier III | Cost Per Call for Tier III |
|------------------------|---|---------------------------|--------------------------------|--------------------------|---------------------------------|---------------------------|----------------------------------|----------------------------|
| Inbound | A | 11:00-15:00 | 6,000-16,999 | \$13.88 | 17,000-27,999 | \$13.88 | 28,000-40,000 | \$13.88 |
| | B | 15:01-20:00 | 1,400-3,599 | \$16.19 | 3,600-5,799 | \$16.19 | 5,800-8,000 | \$16.19 |
| | C | 20:01-25:00 | 1,400-3,599 | \$20.82 | 3,600-5,799 | \$20.82 | 5,800-8,000 | \$20.82 |
| | D | 25:01-30:00 | 1,400-3,599 | \$25.45 | 3,600-5,799 | \$25.45 | 5,800-8,000 | \$25.45 |
| | E | 30:01-35:00 | 1,400-3,599 | \$25.45 | 3,600-5,799 | \$25.45 | 5,800-8,000 | \$25.45 |
| Outreach | A | 8:00-12:00 | 1,400-3,599 | \$11.10 | 3,600-5,799 | \$11.10 | 5,800-8,000 | \$11.10 |
| | B | 12:01 - 16:00 | 1,400-3,599 | \$12.96 | 3,600-5,799 | \$12.96 | 5,800-8,000 | \$12.96 |
| | C | 16:01 - 20:00 | 1,400-3,599 | \$16.66 | 3,600-5,799 | \$16.66 | 5,800-8,000 | \$16.66 |
| Back Office Processing | A | 4:00-8:00 | 1,400-3,599 | \$6.04 | 3,600-5,799 | \$6.04 | 5,800-8,000 | \$6.04 |
| | B | 8:01 - 12:00 | 1,400-3,599 | \$7.52 | 3,600-5,799 | \$7.52 | 5,800-8,000 | \$7.52 |

| | | | | | | | | |
|--|---|-------------|-------------|---------|-------------|---------|-------------|---------|
| | C | 12:01-16:00 | 1,400-3,599 | \$10.48 | 3,600-5,799 | \$10.48 | 5,800-8,000 | \$10.48 |
|--|---|-------------|-------------|---------|-------------|---------|-------------|---------|

| COST PER CALL FOR RENEWAL PERIOD 3 | | | | | | | | |
|------------------------------------|---|---------------------------|--------------------------------|--------------------------|---------------------------------|---------------------------|----------------------------------|----------------------------|
| Service | | Average Handle Time (AHT) | Number of calls/actions Tier I | Cost Per Call for Tier I | Number of calls/actions Tier II | Cost Per Call for Tier II | Number of calls/actions Tier III | Cost Per Call for Tier III |
| Inbound | A | 11:00-15:00 | 6,000-16,999 | \$14.30 | 17,000-27,999 | \$14.30 | 28,000-40,000 | \$14.30 |
| | B | 15:01-20:00 | 1,400-3,599 | \$16.68 | 3,600-5,799 | \$16.68 | 5,800-8,000 | \$16.68 |
| | C | 20:01-25:00 | 1,400-3,599 | \$21.45 | 3,600-5,799 | \$21.45 | 5,800-8,000 | \$21.45 |
| | D | 25:01-30:00 | 1,400-3,599 | \$26.21 | 3,600-5,799 | \$26.21 | 5,800-8,000 | \$26.21 |
| | E | 30:01-35:00 | 1,400-3,599 | \$26.21 | 3,600-5,799 | \$26.21 | 5,800-8,000 | \$26.21 |
| Outreach | A | 8:00 -12:00 | 1,400-3,599 | \$11.44 | 3,600-5,799 | \$11.44 | 5,800-8,000 | \$11.44 |
| | B | 12:01 - 16:00 | 1,400-3,599 | \$13.34 | 3,600-5,799 | \$13.34 | 5,800-8,000 | \$13.34 |
| | C | 16:01 - 20:00 | 1,400-3,599 | \$17.16 | 3,600-5,799 | \$17.16 | 5,800-8,000 | \$17.16 |
| Back Office Processing | A | 4:00-8:00 | 1,400-3,599 | \$6.22 | 3,600-5,799 | \$6.22 | 5,800-8,000 | \$6.22 |
| | B | 8:01 - 12:00 | 1,400-3,599 | \$7.75 | 3,600-5,799 | \$7.75 | 5,800-8,000 | \$7.75 |
| | C | 12:01-16:00 | 1,400-3,599 | \$10.80 | 3,600-5,799 | \$10.80 | 5,800-8,000 | \$10.80 |

6. MASTER ASSUMPTION LIST

Pricing

DATAMARK is providing the pricing structure as follows for a 3-year contract with three 1- year extensions:

- One-time startup cost
- Passthrough costs:
 - Training cost per hour per FTE
 - Outbound mailing cost per piece
 - Cost per call
- Broken down via the table provided.

Further denoted assumptions:

- DATAMARK has calculated values based used volumes, average handle time, and service levels provided by DHHS to generate pricing
- Average handle time includes talk time, hold time and after call work

The proposal includes coverage Monday through Friday onshore using 1st shift only with staggered shift start/end.

All calls will be managed by a tier one agent, if higher skilled agents are required then a new price point can be provided.

DATAMARK assumes most calls sit in the 11-15 min average handle time interval.

DATAMARK shall provide 150 to 200 FTEs for the contact center, and 5 FTEs for the outbound mailroom, where at minimum 10% of the contact center FTEs are bilingual.

DATAMARK will provide contact center services and outbound mailroom services

DATAMARK outbound mailing shall be single sided and include the recipient mailing address such that DATAMARK is not required to manually fill or key the information.

Note: DATAMARK shall not provide the following services:

- Text or chat services
- Scanning
- Handling of returned mail

Equipment

DATAMARK shall provide all necessary hardware for FTEs to perform activities based on RFP responses, including:

- Laptop/desktop
- Dual monitors
- Docking station
- Ethernet cabling
- Headset
- Keyboard and mouse

Technology

DATAMARK shall provide the following technology via a non-government cloud instance:

- Contact center:
 - ACD/IVR
 - WFM/QM
 - CRM
 - KMS
 - Business Intelligence (reporting)
- Mailroom:
 - Metering machine

All applications shall be accessed via the public cloud via named, dual authenticated access.

SLAs and QLOs

DATAMARK shall meet the following service and quality level objectives:

- Service Level Name Service Level
- Average Speed of Answer (ASA) Calls answered within 5 minutes or less
- Calls Answered 100% of calls answered by live operators
- First Call Resolution 90% or higher
- (Calculated by calls answered without transfer, second call or return call.)
- Quality Level Objective 5 calls audited per agent per month

Note:

DATAMARK shall not be held to service levels for the first ninety (90) business days of "go-live" to allow for a stabilization period.

Security

DATAMARK will provide the following security for DHHS:

- IPS / IDS
- Vulnerability Assessment Tool (VAT)
- Multi-Factor Authentication (MFA)
- End-point detection and response (EDR)
- Email filtering and phishing
- Data loss prevention (network and file)
- Endpoint management
- Web/proxy filtering and DLP

Note: DATAMARK shall pass through all Security requirement costs. Estimated cost for attestation (annually):

- PCI - \$50,500
- SOC II - \$14,000
- Penetration testing \$14,000
- ASV scans - \$3,500

*Price may vary depending on the scope of the project

DATAMARK may revise pricing based on the following conditions:

- Additional skill / job complexities not shared during requirements gathering
- Additional FTEs (which may require additional overhead)
- Changes to hours of operation, location, Service and/or Quality Level Objectives

| |
|--|
| |
| No specific BCP/DRP Plan is included in the Proposal. (Inherent BCP is provided via WFH/WFO hybrid model.) |
| Standard COLA increase: 3% per year after the first 3-year contract. |

7. SUPPLIER DETAILS

- a) Supplier name (Trading and Registered), ABN, registered address.

DATAMARK, Inc. is a Texas-based C Corporation with a Dun and Bradstreet rating of 4A1

123 W. Mills Avenue, Suite 400, El Paso, TX 79901

- b) Details of supplier operations and operating locations.

DATAMARK is a provider of Contact Center and Business Process Outsourcing solutions, specializing in omni channel, multilingual contact center services, Enterprise Content Management, finance & accounting outsourcing, and loyalty/rewards program management.

DATAMARK operates from numerous global locations based on where our customers need us. Whether it be on-site, nearshore (Mexico), onshore (Unites States), offshore (India), or Work from Home (WFH), we are experienced at quickly ramping up new sites worldwide to meet your business requirements and increase your competitive advantage.

- c) Supplier ownership information, including details of Directors and other key office bearers.

Founders: Bill and Becky Holmes

- d) Details of any current legal actions pending against the supplier or its directors and/or office bearers.

None

- e) Relationships with any parent company (if applicable).

None

DATAMARK, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2021 AND 2020
AND INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Shareholders
Datamark, Inc. and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Datamark, Inc. (a Texas corporation) and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 **and 2020**, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Datamark, Inc. and Subsidiaries as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Datamark, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Datamark, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

To the Shareholders
Datamark, Inc. and Subsidiaries

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements. We did not audit the financial statements of Datamark, Inc.'s wholly-owned subsidiaries, Datamark de Mexico, S.A. de C.V., Datamark BPO Service Private Limited, and Datamark Prodapt India BPO LLP. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it related to the amounts included for Datamark de Mexico, S.A. de C.V., Datamark BPO Service Private Limited, and Datamark Prodapt India BPO LLP, is based solely on the report of other auditors.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Datamark, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Datamark, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

(Continued)

To the Shareholders
Datamark, Inc. and Subsidiaries

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on page 25 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

SBNG, PC

El Paso, Texas
August 5, 2022

DATAMARK, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2021 and 2020

| <u>ASSETS</u> | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 10,820,695 | \$ 6,939,943 |
| Investments | 2,840 | 2,840 |
| Trade receivables, net | 7,679,150 | 8,546,532 |
| Income taxes receivable | | 80,860 |
| Foreign taxes receivable | 139,117 | 194,184 |
| Other receivables | 50,989 | 55,059 |
| Prepaid expenses | 1,121,980 | 984,138 |
| Other current assets | <u>54,553</u> | <u>190,688</u> |
| Total current assets | 19,869,324 | 16,994,244 |
| Property and equipment, net | 15,917,677 | 18,298,633 |
| Cash surrender value of life insurance | 1,835,925 | 1,699,336 |
| Deferred tax asset, net | | 202,929 |
| Foreign taxes receivable, noncurrent | 662,147 | 1,358,484 |
| Deposits | 363,075 | 384,088 |
| Goodwill | 440,138 | 440,138 |
| Other noncurrent assets | <u>569,901</u> | <u>537,536</u> |
| Total assets | <u>\$ 39,658,187</u> | <u>\$ 39,915,388</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS
(CONTINUED)**

December 31, 2021 and 2020

| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u> | <u>2021</u> | <u>2020</u> |
|---|-----------------------------|---------------------------|
| Current liabilities: | | |
| Accounts payable | \$ 495,930 | \$ 321,039 |
| Accrued liabilities | 4,346,607 | 3,667,623 |
| Income taxes payable | 137,782 | |
| Foreign taxes payable | 896,080 | 652,360 |
| Deferred income | 32,443 | 278,301 |
| Current maturities of long-term debt | 510,000 | 1,326,537 |
| Other current liabilities | <u> </u> | <u> 333</u> |
| Total current liabilities | 6,418,842 | 6,246,193 |
| Deferred tax liability, net | 233,657 | |
| Foreign taxes payable, noncurrent | 208,766 | 947,838 |
| Long-term debt, net of current maturities | 5,992,500 | 7,649,028 |
| Paycheck Protection Program loan | <u> </u> | <u> 3,140,432</u> |
| Total liabilities | <u> 12,853,765</u> | <u> 17,983,491</u> |
| Shareholders' equity: | | |
| Common stock, \$.01 par value, 100,000 shares authorized, 15,807 shares issued | 158 | 158 |
| Additional paid-in capital | 223,954 | 223,954 |
| Accumulated other comprehensive loss | (3,506,430) | (3,048,479) |
| Treasury stock, at cost, 828 shares in 2021 and 2020 | (1,846,075) | (1,846,075) |
| Retained earnings | <u> 31,932,815</u> | <u> 26,602,339</u> |
| Total shareholders' equity | <u> 26,804,422</u> | <u> 21,931,897</u> |
| Total liabilities and shareholders' equity | <u> \$39,658,187</u> | <u> \$39,915,388</u> |

The accompanying notes are an integral
part of these consolidated financial statements.

DATAMARK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years Ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Net sales | \$ 59,261,132 | \$ 64,717,598 |
| Cost of revenue earned | <u>13,094,596</u> | <u>15,323,325</u> |
| Gross profit | 46,166,536 | 49,394,273 |
| General and administrative expenses | <u>44,601,921</u> | <u>43,602,795</u> |
| Income from operations | <u>1,564,615</u> | <u>5,791,478</u> |
| Other income (expenses): | | |
| Change in value of cash surrender value of life insurance | 136,589 | 96,981 |
| Paycheck Protection Program loan forgiveness | 3,140,432 | |
| Insurance claim proceeds | 3,000,000 | |
| Interest income | 40,334 | 14,890 |
| Gain (loss) on disposal of fixed assets | 2,363 | (403) |
| Interest expense | (225,112) | (325,456) |
| Other income | <u>7,692</u> | <u>55,219</u> |
| | <u>6,102,298</u> | <u>(158,769)</u> |
| Net income before taxes | 7,666,913 | 5,632,709 |
| Income tax expense | <u>(1,336,437)</u> | <u>(135,673)</u> |
| Net income | <u>6,330,476</u> | <u>5,497,036</u> |
| Other comprehensive income (loss): | | |
| Foreign currency translation | (188,596) | (150,743) |
| Changes in pension and other postretirement benefits | <u>(269,355)</u> | <u>118,526</u> |
| | <u>(457,951)</u> | <u>(32,217)</u> |
| Comprehensive income | <u>\$ 5,872,525</u> | <u>\$ 5,464,819</u> |

The accompanying notes are an integral part of these consolidated financial statements.

DATAMARK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Years Ended December 31, 2021 and 2020

| | <u>Common Stock</u> | | <u>Treasury Stock</u> | | <u>Additional</u> | <u>Accumulated</u> | <u>Retained</u> | <u>Total</u> |
|--------------------------------|---------------------|---------------|-----------------------|----------------------|-------------------|-----------------------|----------------------|----------------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Shares</u> | <u>Amount</u> | <u>Paid-In</u> | <u>Other</u> | <u>Earnings</u> | |
| | | | | | <u>Capital</u> | <u>Loss</u> | | |
| Balance, December 31, 2019 | 15,807 | \$ 158 | 328 | \$ (546,075) | \$ 223,954 | \$ (3,016,262) | \$ 21,105,303 | \$ 17,767,078 |
| Other comprehensive loss | | | | | | (32,217) | | (32,217) |
| Purchase of treasury stock | | | 500 | (1,300,000) | | | | (1,300,000) |
| Net income | _____ | _____ | _____ | _____ | _____ | _____ | <u>5,497,036</u> | <u>5,497,036</u> |
| Balance, December 31, 2020 | 15,807 | 158 | 828 | (1,846,075) | 223,954 | (3,048,479) | 26,602,339 | 21,931,897 |
| Other comprehensive loss | | | | | | (457,951) | | (457,951) |
| Dividends paid to shareholders | | | | | | | (1,000,000) | (1,000,000) |
| Net income | _____ | _____ | _____ | _____ | _____ | _____ | <u>6,330,476</u> | <u>6,330,476</u> |
| Balance, December 31, 2021 | <u>15,807</u> | <u>\$ 158</u> | <u>828</u> | <u>\$(1,846,075)</u> | <u>\$ 223,954</u> | <u>\$ (3,506,430)</u> | <u>\$ 31,932,815</u> | <u>\$ 26,804,422</u> |

The accompanying notes are an integral part of these consolidated financial statements.

DATAMARK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------------|------------------------|
| Cash flows from operating activities: | | |
| Net income | \$ 6,330,476 | \$ 5,497,036 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 3,958,621 | 3,322,672 |
| Bad debt expense | | 418,458 |
| Deferred taxes | 202,929 | (232,415) |
| (Gain) loss on disposal of fixed assets | (2,363) | 403 |
| Paycheck Protection Program loan forgiveness | (3,140,432) | |
| (Increase) decrease in assets: | | |
| Trade receivables, net | 409,431 | (550,577) |
| Income taxes receivable | 80,860 | (80,860) |
| Foreign taxes receivable | 751,404 | 63,920 |
| Other receivables | 4,070 | (53,988) |
| Prepaid expenses | (137,842) | (164,737) |
| Deposits | 21,013 | (20,189) |
| Other assets | 103,770 | (70,902) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 174,891 | (214,470) |
| Accrued liabilities | 678,984 | 646,252 |
| Income taxes payable | 137,782 | (177,087) |
| Foreign taxes payable | (495,352) | 152,708 |
| Deferred income | (245,858) | 253,335 |
| Other liabilities | <u>(333)</u> | <u>(3,880)</u> |
| Net cash provided by operating activities | <u>8,832,051</u> | <u>8,785,679</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (1,341,645) | (4,049,374) |
| Increase in cash surrender value of life insurance | (136,589) | (96,981) |
| Purchase of treasury stock | <u> </u> | <u>(1,300,000)</u> |
| Net cash used in investing activities | <u>(1,478,234)</u> | <u>(5,446,355)</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements of Datamark, Inc. (“the Company”) and Subsidiaries include accounts of its wholly owned subsidiaries, Datamark Futurity, LLC, Datamark de Mexico, S.A. de C.V., Datamark BPO Service Private Limited, and Datamark Prodapt India BPO LLP. Material intercompany transactions and balances have been eliminated in consolidation.

Company Activities - Datamark, Inc. was incorporated in November 1989. The Company and its subsidiaries provide business process outsourcing (BPO), contact center (call center) and business process improvement solutions and services for U.S.-based and international mid-market and large enterprise clients. The Company’s BPO services include back-office functions such as digital mailroom management, document management processing, enterprise content management, data adjudication for multiple industries including transportation, healthcare, financial services, and high-volume document scanning. The Company’s contact center services include multilingual customer care, inbound and outbound sales, government 311 non-emergency hotline services and over-the-phone language interpretation services. The Company’s subsidiaries operate in Ciudad Juarez, Mexico; Chihuahua City, Mexico; Mumbai, India; and Chennai, India.

Foreign Operations - Operations outside the United States are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange. The Company does not engage in hedging activities to mitigate its exposure to fluctuations in foreign currency exchange rates. The functional currencies of the Company's foreign operations are the local currencies.

The Company follows the provisions of FASB ASC 830. These provisions provide general guidance on foreign currency issues, including functional currency and currency conversion. The financial statements of the Company's foreign subsidiaries have been translated into U.S. dollars. All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date. Income statement amounts have been translated using the average exchange rate for the year. Accumulated net translation adjustments have been reported separately in other comprehensive income in the consolidated financial statements. Foreign currency translation adjustments resulted in losses of \$188,596 and \$150,743 in 2021 and 2020, respectively.

Basis of Accounting - The Company's policy is to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America under the accrual basis of accounting which generally records items using historical costs and requires the use of estimates and assumptions. The accrual basis of accounting records revenue in the period in which earned rather than when received and records expenses in the period in which incurred rather than when paid.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition – Effective January 1, 2020, the Company adopted the provisions of ASC Topic 606 “*Revenue from Contracts with Customers*.” The ASC provides a robust framework for addressing revenue recognition issues and improves comparability of revenue recognition practices across industries. Substantially all Company revenues are recognized from services provided at a point in time rather than over the duration of a contract. Additional quantitative and qualitative information is presented in the accompanying notes to the consolidated financial statements.

Comprehensive Income - Comprehensive income includes all changes in equity during a period except those that resulted from investments by or distributions to the Company’s shareholders. Other comprehensive income refers to revenues, expenses, gains and losses that, under generally accepted accounting principles, are included in comprehensive income, but excluded from net income as these amounts are recorded directly as an adjustment to shareholders’ equity. The Company’s other comprehensive income (loss) is composed of foreign currency translation adjustments and changes in pension and other postretirement benefits not recognized in periodic pension cost.

Cash and Cash Equivalents - For the purpose of the statements of cash flows, the Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Trade Receivables, Net - The Company carries its accounts receivable at original invoice for services provided to customers. The Company has provided an allowance for doubtful accounts at year-end based on management’s estimate of the collectability of accounts receivable. The allowance for doubtful accounts was \$302,355 at December 31, 2021 and 2020.

Property and Equipment, Net - Property and equipment, net is carried at cost. Depreciation and amortization are computed using principally the straight-line method based upon estimated useful lives of the assets, which range from 3 to 20 years. Leasehold improvements are amortized over the shorter of the life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill - Goodwill arises from business combinations and is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any non-controlling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill acquired in a purchase business combination and determined to have an indefinite useful life is not amortized but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed. Goodwill is the only intangible asset with an indefinite life on the Company's balance sheets.

Impairment of Long-Lived Assets - The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. As of December 31, 2021 and 2020, there were no impairment losses recognized for long-lived assets.

Income Taxes - Income taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of the assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rebates on the date of enactment.

The Company's tax returns are subject to examination by federal taxing authorities. The tax law, rules and regulations governing these returns are complex, technical, and subject to varying interpretations. If an examination required the Company to make adjustments, the profit or losses would be adjusted accordingly. No examination is currently in process. The Company is no longer subject to examination by U.S. federal taxing authorities for years before December 31, 2018.

Effective January 1, 2009, the Company adopted FASB ASC 740-10-50-15, "Accounting for Uncertainty in Income Taxes" - an Interpretation of FASB ASC 740-10-50-14 which was issued in July 2006. FASB ASC 740-10-50-15 prescribes measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties and disclosures required. As of December 31, 2021, the Company has not taken any tax position in a tax return which would require disclosure under FASB ASC 740-10-50-15.

Advertising and Marketing - Advertising and marketing costs are expensed as incurred. Advertising and marketing expense was \$2,021,028 and \$2,166,953 as of December 31, 2021 and 2020, respectively.

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DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences - Employees of the Company are entitled to a paid vacation depending on length of service and other factors. The estimate related to compensated absences is based on vacation hours earned and current pay rates. The cost of compensated absences is recognized as general and administrative expense.

CONCENTRATION OF CREDIT RISK

The Company maintains a cash account at one financial institution, which at times may exceed federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution.

The Company maintains cash balances in money market funds. These funds are not insured by the FDIC, nor are they a deposit or other obligation of, or guaranteed by a bank or other depository institution. Investment funds are subject to investment risks, including possible loss of the principal amount invested.

The Company maintains cash accounts for its foreign subsidiaries in both India and Mexico, where balances insured by the governing body in each country are very limited.

Management regularly monitors the financial condition of the institutions, along with the Company's balances in invested funds, and tries to keep this potential risk at a minimum. The Company has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk.

REVENUE RECOGNITION

The Company recognizes revenue at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The principles in the standard are applied in the following five steps:

- 1) Identify Contracts with a Customer - The Company's primary source of revenue is from business process outsourcing services. The Company regularly enters into mailroom, data entry, and call center sourcing contracts with clients from various industries. Such contracts normally have durations of three to five years. Out-of-contract services are also periodically provided.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

- 2) Identify the Performance Obligations in the Contract - The Company's contracts with customers normally include various contract obligations such as mail handling, scanning, data entry, financial processes, customer service calls, and language interpretation, most of which are recognized at a point in time. Management has evaluated the Company's history and experience with other incidental contract obligations recognized over the duration of the contracts and has deemed them to be immaterial to the financial statements for the purpose of allocating revenue from services provided to different contract obligations.
- 3) Determine the Transaction Price - Transaction prices are negotiated individually with each customer. As part of the Company's contracts, volume discounts and other price concessions are given to customers based on the terms of each individual customer contract. Such discounts and price concessions are recognized as a reduction of the transaction price at the same time revenue from services provided is recognized.
- 4) Allocate the Transaction Price - The entire transaction price is allocated to the services provided, with no consideration allocated to incidental services tied to sales contracts.
- 5) Recognize the Revenue When (or as) the Company Satisfies a Performance Obligation - The Company recognizes revenue when services are provided and the customer accepts work volumes, which normally occurs at the end of the week or month. Payments for substantially all sales invoices are due within 30 days. Sales taxes invoiced to customers and remitted to governmental authorities are excluded from net sales.

Disaggregation of Revenue - The Company recognizes revenue from the following service lines and geographic markets:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|---------------------|---------------------|
| <i>Sales by service line:</i> | | |
| Mailroom with data entry | \$12,845,255 | \$17,166,751 |
| Data entry | 14,857,594 | 22,530,599 |
| Financial services | 2,758,180 | 1,098,543 |
| Call center | <u>28,800,103</u> | <u>23,921,705</u> |
| | <u>\$59,261,132</u> | <u>\$64,717,598</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

REVENUE RECOGNITION (CONTINUED)

Disaggregation of Revenue (Continued) -

Sales by geographic market:

| | | |
|--------------|---------------------|---------------------|
| Texas | \$19,067,433 | \$24,743,657 |
| Pennsylvania | 640,088 | 2,940,504 |
| Mexico | 20,686,898 | 21,310,363 |
| India | <u>18,866,713</u> | <u>15,723,074</u> |
| | <u>\$59,261,132</u> | <u>\$64,717,598</u> |

TRADE RECEIVABLES, NET

Components of trade receivables, net consisted of the following at December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|--------------------|--------------------|
| Trade receivables | \$7,981,505 | \$8,848,887 |
| Less allowance for doubtful accounts | <u>302,355</u> | <u>302,355</u> |
| Total | <u>\$7,679,150</u> | <u>\$8,546,532</u> |

There was no bad debt expense for the year ended December 31, 2021. Bad debt expense for the year ended December 31, 2020 was \$418,458.

MAJOR CUSTOMERS AND RECEIVABLES

Approximately 42% of revenue in 2021 and 48% of revenue during 2020 was from two and three of the Company's customers, respectively. Of these customers, each had revenue individually between 14% and 28% during 2021 and between 11% and 22% during 2020.

Approximately 46% and 45% of gross trade receivables at December 31, 2021 and 2020, respectively, were from three of the Company's customers. Of these customers, each had individual receivable balances between 13% and 20% at December 31, 2021, and between 13% and 17% at December 31, 2020.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

PROPERTY AND EQUIPMENT, NET

The components of property and equipment, net are as follows at December 31, 2021 **and** 2020:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|---------------------|---------------------|
| Computer equipment | \$ 8,511,017 | \$ 8,791,731 |
| Office furniture and equipment | 5,330,007 | 5,655,721 |
| Leasehold improvements | 1,986,950 | 2,620,514 |
| Software | 5,391,386 | 5,099,628 |
| Transportation equipment | 8,614,659 | 8,614,953 |
| Security equipment | 654,383 | 621,636 |
| Buildings | 876,932 | 92,112 |
| Work in progress | <u>56,822</u> | <u>12,757</u> |
| | | |
| Total property and equipment, at cost | 31,422,156 | 31,509,052 |
| Less accumulated depreciation | <u>15,504,479</u> | <u>13,210,419</u> |
| | | |
| Property and equipment, net | <u>\$15,917,677</u> | <u>\$18,298,633</u> |

Depreciation expense amounted to \$3,958,621 and \$3,322,672 for the years ended December 31, 2021 **and** 2020, respectively.

CASH SURRENDER VALUE OF LIFE INSURANCE

The Company is a beneficiary of a split dollar life insurance policy on the life of an employee. The Company has rights to the collection of premiums paid at the death of the employee which approximates the cash surrender value at December 31, 2021 **and** 2020. The policy's cash surrender value was \$1,835,925 and \$1,699,336 for the years ended December 31, 2021 **and** 2020, respectively.

DEPOSITS

Deposits consist of payments under lease agreements and utilities that service the Company until the lease or service is terminated, along with amounts towards future trade shows. The Company had \$363,075 and \$384,088 of deposits held by unrelated third-parties as of December 31, 2021 and 2020, respectively.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

LINE-OF-CREDIT

The Company has a line-of-credit with its primary financial institution in the amount of \$4,500,000. The line bears interest on any balance outstanding at the rate greater of a) Wall Street Prime (3.25% at December 31, 2021 and 2020) or b) 2.5%. (effective rate of 3.25% at December 31, 2021 and 2020), and matures in January 2023. There was no outstanding balance on the line of credit as of December 31, 2021 and 2020.

LONG-TERM DEBT, NET

Long-term debt, net consisted of the following as of December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|--------------------|--------------------|
| Note payable to a financial institution for \$7,650,000. Monthly payments are \$42,500, plus interest at 2.874% per annum, with a balloon payment of \$5,142,000 due at maturity and matures in September 2024. Secured by transportation equipment and a guarantee by Datamark, Inc. Refinanced in May 2022. | \$6,502,500 | \$7,012,500 |
| Note payable to a financial institution for \$2,500,000. Monthly payments are \$72,593 including interest at 2.9% per annum, Secured by equipment. Paid off in June 2021. | _____ | <u>1,963,065</u> |
| | 6,502,500 | 8,975,565 |
| Less current maturities | <u>510,000</u> | <u>1,326,537</u> |
| Notes payable, net of current maturities | <u>\$5,992,500</u> | <u>\$7,649,028</u> |

Future minimum payments consisted of the following at December 31:

| | |
|-------|--------------------|
| 2022 | \$ 510,000 |
| 2023 | 510,000 |
| 2024 | <u>5,482,500</u> |
| Total | <u>\$6,502,500</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Company received a loan through the Coronavirus Aid, Relief and Economic Security Act (“CARES”) in the amount of \$3,140,432. CARES authorized the United States Small Business Administration (“SBA”) and financial institutions to provide payroll assistance programs to eligible businesses through the Paycheck Protection Program (“PPP”). The loan was subject to the terms of CARES and SBA guidelines. The balance as of December 31, 2020 was \$3,140,432. As allowed for in the agreement, the Organization submitted a request to the lender for debt forgiveness as stipulated in CARES and the PPP. In June 2021, the SBA forgave the full loan amount of \$3,140,432.

RESTRICTION ON STOCKHOLDERS’ EQUITY

Five percent of net income from Datamark de Mexico, S.A. de C.V. must be appropriated to the statutory reserve, until it reaches 20% of the capital stock. The amount of contributions, updated on a tax basis, and made by the stockholders, may be refunded to them tax-free, provided that such amount equals or exceeds the stockholders’ equity. Retained earnings, on which no income tax has been paid, are subject to income tax at the rate of 30%, payable by the Company; consequently, the stockholders may only receive 70% of amounts that are determined.

TRANSFER PRICING

Transfer pricing regulations for maquiladoras establish certain options for compliance, which consider the possibility of carrying out a transfer pricing study available for their review, submit such study for the tax authorities’ approval called the Advance Pricing Agreement (APA), or attach the calculation option known as “Safe Harbor.”

Transfer pricing study and APA options are prepared by subject experts and have the purpose of determining the normal ranges of prices used between non-related parties to calculate services on an arm’s-length basis for similar transactions. It is applied in the maquiladora as an operation’s profit percentage.

During the years 2021 and 2020, the Company prepared a transfer pricing study based on the dispositions of Article 216-BIS of the Income Tax Law. Such a study determined that the range of profit margins on operation costs and expenses were reasonable.

The Company retains outside experts to carry out transfer pricing studies for the purpose of determining the normal ranges of prices used between non-related parties to calculate services on an arm’s-length basis for similar transactions.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

LEASE AGREEMENTS

The Company rents office space and equipment in India, Mexico and El Paso, Texas, under non-cancellable operating leases, which have expiration dates ranging from February 2022 to April 2026. Future minimum lease payments are as follows as of December 31:

| | |
|------------------------------|--------------------|
| 2022 | \$2,070,110 |
| 2023 | 1,594,343 |
| 2024 | 1,152,096 |
| 2025 | 540,550 |
| 2026 | <u>157,920</u> |
| Total minimum lease payments | <u>\$5,515,019</u> |

Rent expense for operating leases totaled \$2,862,641 and \$3,055,721 in 2021 and 2020, respectively.

EMPLOYEE BENEFITS

Employees in Mexico are entitled to receive a share of the profits of the employer, generally 10% of the taxable income, in accordance with the Mexican Federal Labor Law. The contribution is computed recognizing the effects of non-recurring timing differences between tax and accounting income on which it may be reasonably determined, over a defined period, if a benefit or liability will arise. For the years ended December 31, 2021 **and 2020**, there were no timing differences which qualified for the computation of deferred employee profit sharing contributions. The employee profit sharing contribution is determined following the provision of Mexican income tax law without the effects of inflation. The contribution was \$73,029 and \$61,745 in U.S. dollars for the years ended December 31, 2021 **and 2020**, respectively.

Obligations for defined benefit plans in Mexico are calculated annually by actuaries using the projected unit credit method when the calculation results in a possible asset for the Company. The recognized asset is limited to the present value of the economic benefits available in the form of future refunds of the plan or reductions in future contributions thereto. To calculate the present value of economic benefits, any minimum financing requirement should be considered.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE BENEFITS (CONTINUED)

The labor cost of current service, which represents the periodic cost of employee benefits for having completed one more year of working life based on the benefit plans, is recognized in operating costs and expenses. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of estimates of contributions and benefit payments.

Modifications to the plans that affect past service cost are recognized in income immediately in the year the modification occurs, with no possibility of deferral in subsequent years. Furthermore, the effects of events of liquidation or reduction of obligations in the period that significantly reduce future service cost and/or the population eligible for benefits are recognized in income of the period.

Remeasurements before actuarial gains and losses resulting from differences between the projected and actual actuarial assumptions at the end of the period are recognized when incurred as part of other comprehensive income (“OCI”).

The components of defined benefit cost and liability (“DBNL”) for the years ended December 31, 2021 **and** 2020 are as follows:

| | <u>Seniority Premium</u> | | <u>Severance Compensation</u> | |
|--|--------------------------|-----------------|-------------------------------|------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Current service cost (“CLSA”) | \$103,926 | \$87,403 | \$207,227 | \$179,617 |
| Net interest on DBNL | 21,803 | 17,476 | 50,057 | 41,533 |
| Reclassification of remeasurements of DBNL in OCI recognized in income of the period | <u>(6,544)</u> | <u>(8,493)</u> | <u>(48,548)</u> | <u>(57,857)</u> |
| Defined benefit cost | <u>\$119,185</u> | <u>\$96,386</u> | <u>\$208,736</u> | <u>\$163,293</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE BENEFITS (CONTINUED)

| | <u>Seniority Premium</u> | | <u>Severance Compensation</u> | |
|--|--------------------------|------------------|-------------------------------|------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Beginning balance of DBNL or remeasurements | \$62,182 | \$79,009 | \$478,191 | \$553,739 |
| Remeasurements generated in the year | (6,544) | (8,493) | (48,548) | (57,857) |
| Reclassification of remeasurements of DBNL in OCI recognized in income of the period | <u>(65,362)</u> | <u>(8,334)</u> | <u>(71,941)</u> | <u>(17,691)</u> |
| Ending balance of DBNL recognized in OCI | <u>\$ (9,724)</u> | <u>\$62,182</u> | <u>\$357,702</u> | <u>\$478,191</u> |
| Beginning balance of DBNL | \$355,887 | \$261,633 | \$ 822,590 | \$627,905 |
| Defined benefit cost | 119,185 | 96,386 | 208,736 | 163,293 |
| Other adjustments | 48,917 | 11,812 | 119,152 | 64,856 |
| Effects of exchange rate in beginning balance | <u>(10,070)</u> | <u>(13,944)</u> | <u>(23,276)</u> | <u>(33,464)</u> |
| Ending balance of DBNL | <u>\$513,919</u> | <u>\$355,887</u> | <u>\$1,127,202</u> | <u>\$822,590</u> |

Significant assumptions used in determining the net periodic cost of the seniority premium and severance compensation are as follows:

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| Discount rate | 8.50% | 6.60% |
| Rate of compensation increase | 5.50% | 5.50% |
| Average remaining labor life of employees | 9.20 yrs | 9.29 yrs |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

RETIREMENT PLAN

The Company maintains a defined contribution 401(k) profit sharing plan. Employees must have 90 days of service and be at least 21 years old to participate. Participants may elect to defer any amount of their eligible compensation, not to exceed the dollar limit set by law. All participants that contributed during the Plan year and are employed on the last day of each Plan year are eligible to receive a discretionary employer matching contribution which is based on a percentage of eligible compensation. The Plan provides for partial vesting after three years and full vesting after six years of service for the Company's remaining contribution. The Company's contributions under the Plan amounted to \$81,941 and \$89,474 for the years ended December 31, 2021 and 2020, respectively.

INCOME TAX MATTERS

Datamark Futurity, LLC is a disregarded entity for federal income tax purposes and included in the tax return of Datamark, Inc.

Datamark de Mexico, S.A. de C.V. is subject to income tax in accordance with Mexican Law. In accordance with the new Income Tax ("IT") Law in force January 1, 2014, the IT is calculated at the tax rate of 30% of taxable income which differs from accounting income mainly due to permanent differences such as inflationary effects and expense that is not deductible or partially deductible, among others.

Datamark Prodapt India BPO LLP is a 100% EOU unit registered under Software Technology Parks of India and is exempt from income tax under Section 10B, India Regulations.

Datamark BPO Service Private Limited is a 100% EOU unit registered under Software Technology Parks of India and is exempt from income tax under Section 10B, India Regulations.

Net deferred tax asset (liability) consists of the following components as of December 31:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| Deferred tax assets: | | |
| Net operating loss carryforward | \$ | \$ 936,121 |
| Foreign tax credit (carryforward expiration dates ranging from 2022 to 2030) | 149,949 | 156,481 |
| Other tax assets | <u>868,710</u> | <u>911,936</u> |
| Total deferred tax assets | <u>1,018,659</u> | <u>2,004,538</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

INCOME TAX MATTERS (CONTINUED)

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------------|--------------------|
| Deferred tax liabilities: | | |
| Difference in property and equipment bases | (1,252,316) | (1,791,405) |
| Other tax liabilities | <u> </u> | <u>(10,204)</u> |
| Total deferred tax liabilities | <u>(1,252,316)</u> | <u>(1,801,609)</u> |
| Net deferred tax asset (liability) | \$ <u>(233,657)</u> | \$ <u>202,929</u> |

The components giving rise to the net deferred tax asset (liability) described above have been classified in the accompanying balance sheet as follows as of December 31:

| | <u>2021</u> | <u>2020</u> |
|---------------------------|---------------------|--------------------|
| Non-current tax asset | \$ 1,018,659 | \$2,004,538 |
| Non-current tax liability | <u>(1,252,316)</u> | <u>(1,801,609)</u> |
| | \$ <u>(233,657)</u> | \$ <u>202,929</u> |

The expense (benefit) for income taxes charged to operations consists of the following for the years ended December 31:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|---------------------|-------------------|
| Current tax expense: | | |
| U.S. | \$ 218,642 | \$ |
| Non-U.S. | <u>675,011</u> | <u>501,854</u> |
| | <u>893,653</u> | <u>501,854</u> |
| Deferred tax expense (benefit): | | |
| U.S. deferred tax | 507,005 | (189,397) |
| Non-U.S. deferred tax | <u>(64,221)</u> | <u>(176,784)</u> |
| | <u>442,784</u> | <u>(366,181)</u> |
| | \$ <u>1,336,437</u> | \$ <u>135,673</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONTINGENCIES

The Company, in the ordinary course of business, is the subject of or party to various pending or threatened litigation. While it is not possible to predict with certainty the outcome of these matters, management does not believe that they will materially affect the financial position of the Company.

NEW ACCOUNTING STANDARDS PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, “*Leases (Topic 842)*.” When effective, the ASU will supersede FASB ASC 840, “*Leases*,” and add “*(Topic 842), Leases*,” to the FASB ASC. For entities other than public business entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application is permitted. This ASU is based on the principle that entities should recognize assets and liabilities arising from leases, and does not significantly change the lessee’s recognition, measurement and presentation of expenses and cash flows from the previous accounting standard. The ASU’s primary change is the requirement for entities to recognize a lease liability for payments and a right of use asset representing the right to use the leased asset during the term of operating lease arrangements. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. The Company is currently reviewing the provisions of the new standard.

SUBSEQUENT EVENTS

In January 2022, the Company’s extended the line-of-credit agreement with its primary financial institution to a new maturity date of January 2023.

In June 2022, the Company refinanced its note payable for transportation equipment in the amount of \$6,205,000. Under the refinanced agreement, monthly payments are \$61,416 plus interest at 3.82%, with a balloon payment of \$2,261,416 due at maturity in July 2029.

In June 2022, the Company repurchased a total of 500 shares of common stock from two of the Company’s shareholders for \$1,343,000 (\$2,686 per share).

The Company has evaluated subsequent events through August 5, 2022, the date which the consolidated financial statements were available to be issued.

SBNG

SUPPLEMENTARY INFORMATION

SBNG
CERTIFIED PUBLIC ACCOUNTANTS

DATAMARK, INC. AND SUBSIDIARIES

SCHEDULE OF CONSOLIDATED GENERAL AND ADMINISTRATIVE EXPENSES

Years Ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| General and administrative wages | \$ 19,423,752 | \$ 19,156,692 |
| Depreciation | 3,958,621 | 3,322,672 |
| Fringe benefits | 3,163,797 | 2,146,624 |
| Taxes and licenses | 3,163,155 | 3,347,691 |
| Rent | 2,862,641 | 3,055,721 |
| Repairs and maintenance | 2,405,538 | 2,295,847 |
| Advertising and marketing | 2,021,028 | 2,166,953 |
| Professional fees | 1,004,908 | 1,303,233 |
| Health and other benefits | 911,857 | 561,821 |
| Telephone | 858,559 | 869,387 |
| Insurance | 702,765 | 681,700 |
| Supplies | 687,667 | 788,043 |
| Retirement plan contributions | 645,763 | 586,015 |
| Vacation and holidays | 435,875 | 435,247 |
| Recruiting | 377,216 | 268,888 |
| Charitable contributions | 353,595 | 241,518 |
| Utilities | 346,977 | 416,465 |
| Travel | 284,476 | 394,083 |
| Contract services | 217,651 | 269,715 |
| Transportation and storage | 210,273 | 159,171 |
| Meals and entertainment | 132,874 | 98,458 |
| Postage | 99,485 | 236,259 |
| Education and training | 66,058 | 18,491 |
| Dues and subscriptions | 50,962 | 48,422 |
| Bank fees | 16,787 | 23,085 |
| Customs fees | 2,532 | 8,029 |
| Penalties | 341 | 88 |
| Bad debt expense | | 418,458 |
| Miscellaneous | <u>196,768</u> | <u>284,019</u> |
| Total general and administrative expenses | <u>\$ 44,601,921</u> | <u>\$ 43,602,795</u> |

See independent auditors' report on supplementary information.

DATAMARK, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2021 AND 2020
AND INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Shareholders
Datamark, Inc. and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Datamark, Inc. (a Texas corporation) and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 **and 2020**, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Datamark, Inc. and Subsidiaries as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Datamark, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Datamark, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

To the Shareholders
Datamark, Inc. and Subsidiaries

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements. We did not audit the financial statements of Datamark, Inc.'s wholly-owned subsidiaries, Datamark de Mexico, S.A. de C.V., Datamark BPO Service Private Limited, and Datamark Prodapt India BPO LLP. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it related to the amounts included for Datamark de Mexico, S.A. de C.V., Datamark BPO Service Private Limited, and Datamark Prodapt India BPO LLP, is based solely on the report of other auditors.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Datamark, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Datamark, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

(Continued)

To the Shareholders
Datamark, Inc. and Subsidiaries

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on page 25 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

SBNG, PC

El Paso, Texas
August 5, 2022

DATAMARK, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2021 and 2020

| <u>ASSETS</u> | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 10,820,695 | \$ 6,939,943 |
| Investments | 2,840 | 2,840 |
| Trade receivables, net | 7,679,150 | 8,546,532 |
| Income taxes receivable | | 80,860 |
| Foreign taxes receivable | 139,117 | 194,184 |
| Other receivables | 50,989 | 55,059 |
| Prepaid expenses | 1,121,980 | 984,138 |
| Other current assets | <u>54,553</u> | <u>190,688</u> |
| Total current assets | 19,869,324 | 16,994,244 |
| Property and equipment, net | 15,917,677 | 18,298,633 |
| Cash surrender value of life insurance | 1,835,925 | 1,699,336 |
| Deferred tax asset, net | | 202,929 |
| Foreign taxes receivable, noncurrent | 662,147 | 1,358,484 |
| Deposits | 363,075 | 384,088 |
| Goodwill | 440,138 | 440,138 |
| Other noncurrent assets | <u>569,901</u> | <u>537,536</u> |
| Total assets | <u>\$ 39,658,187</u> | <u>\$ 39,915,388</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS
(CONTINUED)**

December 31, 2021 and 2020

| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u> | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payable | \$ 495,930 | \$ 321,039 |
| Accrued liabilities | 4,346,607 | 3,667,623 |
| Income taxes payable | 137,782 | |
| Foreign taxes payable | 896,080 | 652,360 |
| Deferred income | 32,443 | 278,301 |
| Current maturities of long-term debt | 510,000 | 1,326,537 |
| Other current liabilities | <u>333</u> | <u>333</u> |
| Total current liabilities | 6,418,842 | 6,246,193 |
| Deferred tax liability, net | 233,657 | |
| Foreign taxes payable, noncurrent | 208,766 | 947,838 |
| Long-term debt, net of current maturities | 5,992,500 | 7,649,028 |
| Paycheck Protection Program loan | <u>3,140,432</u> | <u>3,140,432</u> |
| Total liabilities | <u>12,853,765</u> | <u>17,983,491</u> |
| Shareholders' equity: | | |
| Common stock, \$.01 par value, 100,000 shares authorized, 15,807 shares issued | 158 | 158 |
| Additional paid-in capital | 223,954 | 223,954 |
| Accumulated other comprehensive loss | (3,506,430) | (3,048,479) |
| Treasury stock, at cost, 828 shares in 2021 and 2020 | (1,846,075) | (1,846,075) |
| Retained earnings | <u>31,932,815</u> | <u>26,602,339</u> |
| Total shareholders' equity | <u>26,804,422</u> | <u>21,931,897</u> |
| Total liabilities and shareholders' equity | <u>\$39,658,187</u> | <u>\$39,915,388</u> |

The accompanying notes are an integral part of these consolidated financial statements.

DATAMARK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years Ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Net sales | \$ 59,261,132 | \$ 64,717,598 |
| Cost of revenue earned | <u>13,094,596</u> | <u>15,323,325</u> |
| Gross profit | 46,166,536 | 49,394,273 |
| General and administrative expenses | <u>44,601,921</u> | <u>43,602,795</u> |
| Income from operations | <u>1,564,615</u> | <u>5,791,478</u> |
| Other income (expenses): | | |
| Change in value of cash surrender value of life insurance | 136,589 | 96,981 |
| Paycheck Protection Program loan forgiveness | 3,140,432 | |
| Insurance claim proceeds | 3,000,000 | |
| Interest income | 40,334 | 14,890 |
| Gain (loss) on disposal of fixed assets | 2,363 | (403) |
| Interest expense | (225,112) | (325,456) |
| Other income | <u>7,692</u> | <u>55,219</u> |
| | <u>6,102,298</u> | <u>(158,769)</u> |
| Net income before taxes | 7,666,913 | 5,632,709 |
| Income tax expense | <u>(1,336,437)</u> | <u>(135,673)</u> |
| Net income | <u>6,330,476</u> | <u>5,497,036</u> |
| Other comprehensive income (loss): | | |
| Foreign currency translation | (188,596) | (150,743) |
| Changes in pension and other postretirement benefits | <u>(269,355)</u> | <u>118,526</u> |
| | <u>(457,951)</u> | <u>(32,217)</u> |
| Comprehensive income | <u>\$ 5,872,525</u> | <u>\$ 5,464,819</u> |

The accompanying notes are an integral part of these consolidated financial statements.

DATAMARK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Years Ended December 31, 2021 and 2020

| | <u>Common Stock</u> | | <u>Treasury Stock</u> | | <u>Additional</u> | <u>Accumulated</u> | <u>Retained</u> | <u>Total</u> |
|--------------------------------|---------------------|---------------|-----------------------|----------------------|-------------------|-----------------------|----------------------|----------------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Shares</u> | <u>Amount</u> | <u>Paid-In</u> | <u>Other</u> | <u>Earnings</u> | |
| | | | | | <u>Capital</u> | <u>Loss</u> | | |
| Balance, December 31, 2019 | 15,807 | \$ 158 | 328 | \$ (546,075) | \$ 223,954 | \$ (3,016,262) | \$ 21,105,303 | \$ 17,767,078 |
| Other comprehensive loss | | | | | | (32,217) | | (32,217) |
| Purchase of treasury stock | | | 500 | (1,300,000) | | | | (1,300,000) |
| Net income | _____ | _____ | _____ | _____ | _____ | _____ | <u>5,497,036</u> | <u>5,497,036</u> |
| Balance, December 31, 2020 | 15,807 | 158 | 828 | (1,846,075) | 223,954 | (3,048,479) | 26,602,339 | 21,931,897 |
| Other comprehensive loss | | | | | | (457,951) | | (457,951) |
| Dividends paid to shareholders | | | | | | | (1,000,000) | (1,000,000) |
| Net income | _____ | _____ | _____ | _____ | _____ | _____ | <u>6,330,476</u> | <u>6,330,476</u> |
| Balance, December 31, 2021 | <u>15,807</u> | <u>\$ 158</u> | <u>828</u> | <u>\$(1,846,075)</u> | <u>\$ 223,954</u> | <u>\$ (3,506,430)</u> | <u>\$ 31,932,815</u> | <u>\$ 26,804,422</u> |

The accompanying notes are an integral part of these consolidated financial statements.

DATAMARK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------------|------------------------|
| Cash flows from operating activities: | | |
| Net income | \$ 6,330,476 | \$ 5,497,036 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 3,958,621 | 3,322,672 |
| Bad debt expense | | 418,458 |
| Deferred taxes | 202,929 | (232,415) |
| (Gain) loss on disposal of fixed assets | (2,363) | 403 |
| Paycheck Protection Program loan forgiveness | (3,140,432) | |
| (Increase) decrease in assets: | | |
| Trade receivables, net | 409,431 | (550,577) |
| Income taxes receivable | 80,860 | (80,860) |
| Foreign taxes receivable | 751,404 | 63,920 |
| Other receivables | 4,070 | (53,988) |
| Prepaid expenses | (137,842) | (164,737) |
| Deposits | 21,013 | (20,189) |
| Other assets | 103,770 | (70,902) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 174,891 | (214,470) |
| Accrued liabilities | 678,984 | 646,252 |
| Income taxes payable | 137,782 | (177,087) |
| Foreign taxes payable | (495,352) | 152,708 |
| Deferred income | (245,858) | 253,335 |
| Other liabilities | <u>(333)</u> | <u>(3,880)</u> |
| Net cash provided by operating activities | <u>8,832,051</u> | <u>8,785,679</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (1,341,645) | (4,049,374) |
| Increase in cash surrender value of life insurance | (136,589) | (96,981) |
| Purchase of treasury stock | <u> </u> | <u>(1,300,000)</u> |
| Net cash used in investing activities | <u>(1,478,234)</u> | <u>(5,446,355)</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements of Datamark, Inc. (“the Company”) and Subsidiaries include accounts of its wholly owned subsidiaries, Datamark Futurity, LLC, Datamark de Mexico, S.A. de C.V., Datamark BPO Service Private Limited, and Datamark Prodapt India BPO LLP. Material intercompany transactions and balances have been eliminated in consolidation.

Company Activities - Datamark, Inc. was incorporated in November 1989. The Company and its subsidiaries provide business process outsourcing (BPO), contact center (call center) and business process improvement solutions and services for U.S.-based and international mid-market and large enterprise clients. The Company’s BPO services include back-office functions such as digital mailroom management, document management processing, enterprise content management, data adjudication for multiple industries including transportation, healthcare, financial services, and high-volume document scanning. The Company’s contact center services include multilingual customer care, inbound and outbound sales, government 311 non-emergency hotline services and over-the-phone language interpretation services. The Company’s subsidiaries operate in Ciudad Juarez, Mexico; Chihuahua City, Mexico; Mumbai, India; and Chennai, India.

Foreign Operations - Operations outside the United States are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange. The Company does not engage in hedging activities to mitigate its exposure to fluctuations in foreign currency exchange rates. The functional currencies of the Company's foreign operations are the local currencies.

The Company follows the provisions of FASB ASC 830. These provisions provide general guidance on foreign currency issues, including functional currency and currency conversion. The financial statements of the Company's foreign subsidiaries have been translated into U.S. dollars. All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date. Income statement amounts have been translated using the average exchange rate for the year. Accumulated net translation adjustments have been reported separately in other comprehensive income in the consolidated financial statements. Foreign currency translation adjustments resulted in losses of \$188,596 and \$150,743 in 2021 and 2020, respectively.

Basis of Accounting - The Company's policy is to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America under the accrual basis of accounting which generally records items using historical costs and requires the use of estimates and assumptions. The accrual basis of accounting records revenue in the period in which earned rather than when received and records expenses in the period in which incurred rather than when paid.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition – Effective January 1, 2020, the Company adopted the provisions of ASC Topic 606 “*Revenue from Contracts with Customers*.” The ASC provides a robust framework for addressing revenue recognition issues and improves comparability of revenue recognition practices across industries. Substantially all Company revenues are recognized from services provided at a point in time rather than over the duration of a contract. Additional quantitative and qualitative information is presented in the accompanying notes to the consolidated financial statements.

Comprehensive Income - Comprehensive income includes all changes in equity during a period except those that resulted from investments by or distributions to the Company’s shareholders. Other comprehensive income refers to revenues, expenses, gains and losses that, under generally accepted accounting principles, are included in comprehensive income, but excluded from net income as these amounts are recorded directly as an adjustment to shareholders’ equity. The Company’s other comprehensive income (loss) is composed of foreign currency translation adjustments and changes in pension and other postretirement benefits not recognized in periodic pension cost.

Cash and Cash Equivalents - For the purpose of the statements of cash flows, the Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Trade Receivables, Net - The Company carries its accounts receivable at original invoice for services provided to customers. The Company has provided an allowance for doubtful accounts at year-end based on management’s estimate of the collectability of accounts receivable. The allowance for doubtful accounts was \$302,355 at December 31, 2021 and 2020.

Property and Equipment, Net - Property and equipment, net is carried at cost. Depreciation and amortization are computed using principally the straight-line method based upon estimated useful lives of the assets, which range from 3 to 20 years. Leasehold improvements are amortized over the shorter of the life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill - Goodwill arises from business combinations and is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any non-controlling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill acquired in a purchase business combination and determined to have an indefinite useful life is not amortized but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed. Goodwill is the only intangible asset with an indefinite life on the Company's balance sheets.

Impairment of Long-Lived Assets - The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. As of December 31, 2021 and 2020, there were no impairment losses recognized for long-lived assets.

Income Taxes - Income taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of the assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rebates on the date of enactment.

The Company's tax returns are subject to examination by federal taxing authorities. The tax law, rules and regulations governing these returns are complex, technical, and subject to varying interpretations. If an examination required the Company to make adjustments, the profit or losses would be adjusted accordingly. No examination is currently in process. The Company is no longer subject to examination by U.S. federal taxing authorities for years before December 31, 2018.

Effective January 1, 2009, the Company adopted FASB ASC 740-10-50-15, "Accounting for Uncertainty in Income Taxes" - an Interpretation of FASB ASC 740-10-50-14 which was issued in July 2006. FASB ASC 740-10-50-15 prescribes measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties and disclosures required. As of December 31, 2021, the Company has not taken any tax position in a tax return which would require disclosure under FASB ASC 740-10-50-15.

Advertising and Marketing - Advertising and marketing costs are expensed as incurred. Advertising and marketing expense was \$2,021,028 and \$2,166,953 as of December 31, 2021 and 2020, respectively.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences - Employees of the Company are entitled to a paid vacation depending on length of service and other factors. The estimate related to compensated absences is based on vacation hours earned and current pay rates. The cost of compensated absences is recognized as general and administrative expense.

CONCENTRATION OF CREDIT RISK

The Company maintains a cash account at one financial institution, which at times may exceed federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution.

The Company maintains cash balances in money market funds. These funds are not insured by the FDIC, nor are they a deposit or other obligation of, or guaranteed by a bank or other depository institution. Investment funds are subject to investment risks, including possible loss of the principal amount invested.

The Company maintains cash accounts for its foreign subsidiaries in both India and Mexico, where balances insured by the governing body in each country are very limited.

Management regularly monitors the financial condition of the institutions, along with the Company's balances in invested funds, and tries to keep this potential risk at a minimum. The Company has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk.

REVENUE RECOGNITION

The Company recognizes revenue at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The principles in the standard are applied in the following five steps:

- 1) Identify Contracts with a Customer - The Company's primary source of revenue is from business process outsourcing services. The Company regularly enters into mailroom, data entry, and call center sourcing contracts with clients from various industries. Such contracts normally have durations of three to five years. Out-of-contract services are also periodically provided.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

- 2) Identify the Performance Obligations in the Contract - The Company's contracts with customers normally include various contract obligations such as mail handling, scanning, data entry, financial processes, customer service calls, and language interpretation, most of which are recognized at a point in time. Management has evaluated the Company's history and experience with other incidental contract obligations recognized over the duration of the contracts and has deemed them to be immaterial to the financial statements for the purpose of allocating revenue from services provided to different contract obligations.
- 3) Determine the Transaction Price - Transaction prices are negotiated individually with each customer. As part of the Company's contracts, volume discounts and other price concessions are given to customers based on the terms of each individual customer contract. Such discounts and price concessions are recognized as a reduction of the transaction price at the same time revenue from services provided is recognized.
- 4) Allocate the Transaction Price - The entire transaction price is allocated to the services provided, with no consideration allocated to incidental services tied to sales contracts.
- 5) Recognize the Revenue When (or as) the Company Satisfies a Performance Obligation - The Company recognizes revenue when services are provided and the customer accepts work volumes, which normally occurs at the end of the week or month. Payments for substantially all sales invoices are due within 30 days. Sales taxes invoiced to customers and remitted to governmental authorities are excluded from net sales.

Disaggregation of Revenue - The Company recognizes revenue from the following service lines and geographic markets:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|---------------------|---------------------|
| <i>Sales by service line:</i> | | |
| Mailroom with data entry | \$12,845,255 | \$17,166,751 |
| Data entry | 14,857,594 | 22,530,599 |
| Financial services | 2,758,180 | 1,098,543 |
| Call center | <u>28,800,103</u> | <u>23,921,705</u> |
| | <u>\$59,261,132</u> | <u>\$64,717,598</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

REVENUE RECOGNITION (CONTINUED)

Disaggregation of Revenue (Continued) -

Sales by geographic market:

| | | |
|--------------|---------------------|---------------------|
| Texas | \$19,067,433 | \$24,743,657 |
| Pennsylvania | 640,088 | 2,940,504 |
| Mexico | 20,686,898 | 21,310,363 |
| India | <u>18,866,713</u> | <u>15,723,074</u> |
| | <u>\$59,261,132</u> | <u>\$64,717,598</u> |

TRADE RECEIVABLES, NET

Components of trade receivables, net consisted of the following at December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|--------------------|--------------------|
| Trade receivables | \$7,981,505 | \$8,848,887 |
| Less allowance for doubtful accounts | <u>302,355</u> | <u>302,355</u> |
| Total | <u>\$7,679,150</u> | <u>\$8,546,532</u> |

There was no bad debt expense for the year ended December 31, 2021. Bad debt expense for the year ended December 31, 2020 was \$418,458.

MAJOR CUSTOMERS AND RECEIVABLES

Approximately 42% of revenue in 2021 and 48% of revenue during 2020 was from two and three of the Company's customers, respectively. Of these customers, each had revenue individually between 14% and 28% during 2021 and between 11% and 22% during 2020.

Approximately 46% and 45% of gross trade receivables at December 31, 2021 and 2020, respectively, were from three of the Company's customers. Of these customers, each had individual receivable balances between 13% and 20% at December 31, 2021, and between 13% and 17% at December 31, 2020.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

PROPERTY AND EQUIPMENT, NET

The components of property and equipment, net are as follows at December 31, 2021 **and** 2020:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|---------------------|---------------------|
| Computer equipment | \$ 8,511,017 | \$ 8,791,731 |
| Office furniture and equipment | 5,330,007 | 5,655,721 |
| Leasehold improvements | 1,986,950 | 2,620,514 |
| Software | 5,391,386 | 5,099,628 |
| Transportation equipment | 8,614,659 | 8,614,953 |
| Security equipment | 654,383 | 621,636 |
| Buildings | 876,932 | 92,112 |
| Work in progress | <u>56,822</u> | <u>12,757</u> |
| | | |
| Total property and equipment, at cost | 31,422,156 | 31,509,052 |
| Less accumulated depreciation | <u>15,504,479</u> | <u>13,210,419</u> |
| | | |
| Property and equipment, net | <u>\$15,917,677</u> | <u>\$18,298,633</u> |

Depreciation expense amounted to \$3,958,621 and \$3,322,672 for the years ended December 31, 2021 **and** 2020, respectively.

CASH SURRENDER VALUE OF LIFE INSURANCE

The Company is a beneficiary of a split dollar life insurance policy on the life of an employee. The Company has rights to the collection of premiums paid at the death of the employee which approximates the cash surrender value at December 31, 2021 **and** 2020. The policy's cash surrender value was \$1,835,925 and \$1,699,336 for the years ended December 31, 2021 **and** 2020, respectively.

DEPOSITS

Deposits consist of payments under lease agreements and utilities that service the Company until the lease or service is terminated, along with amounts towards future trade shows. The Company had \$363,075 and \$384,088 of deposits held by unrelated third-parties as of December 31, 2021 and 2020, respectively.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

LINE-OF-CREDIT

The Company has a line-of-credit with its primary financial institution in the amount of \$4,500,000. The line bears interest on any balance outstanding at the rate greater of a) Wall Street Prime (3.25% at December 31, 2021 and 2020) or b) 2.5%. (effective rate of 3.25% at December 31, 2021 and 2020), and matures in January 2023. There was no outstanding balance on the line of credit as of December 31, 2021 and 2020.

LONG-TERM DEBT, NET

Long-term debt, net consisted of the following as of December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|--------------------|--------------------|
| Note payable to a financial institution for \$7,650,000. Monthly payments are \$42,500, plus interest at 2.874% per annum, with a balloon payment of \$5,142,000 due at maturity and matures in September 2024. Secured by transportation equipment and a guarantee by Datamark, Inc. Refinanced in May 2022. | \$6,502,500 | \$7,012,500 |
| Note payable to a financial institution for \$2,500,000. Monthly payments are \$72,593 including interest at 2.9% per annum, Secured by equipment. Paid off in June 2021. | _____ | <u>1,963,065</u> |
| | 6,502,500 | 8,975,565 |
| Less current maturities | <u>510,000</u> | <u>1,326,537</u> |
| Notes payable, net of current maturities | <u>\$5,992,500</u> | <u>\$7,649,028</u> |

Future minimum payments consisted of the following at December 31:

| | |
|-------|--------------------|
| 2022 | \$ 510,000 |
| 2023 | 510,000 |
| 2024 | <u>5,482,500</u> |
| Total | <u>\$6,502,500</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Company received a loan through the Coronavirus Aid, Relief and Economic Security Act (“CARES”) in the amount of \$3,140,432. CARES authorized the United States Small Business Administration (“SBA”) and financial institutions to provide payroll assistance programs to eligible businesses through the Paycheck Protection Program (“PPP”). The loan was subject to the terms of CARES and SBA guidelines. The balance as of December 31, 2020 was \$3,140,432. As allowed for in the agreement, the Organization submitted a request to the lender for debt forgiveness as stipulated in CARES and the PPP. In June 2021, the SBA forgave the full loan amount of \$3,140,432.

RESTRICTION ON STOCKHOLDERS’ EQUITY

Five percent of net income from Datamark de Mexico, S.A. de C.V. must be appropriated to the statutory reserve, until it reaches 20% of the capital stock. The amount of contributions, updated on a tax basis, and made by the stockholders, may be refunded to them tax-free, provided that such amount equals or exceeds the stockholders’ equity. Retained earnings, on which no income tax has been paid, are subject to income tax at the rate of 30%, payable by the Company; consequently, the stockholders may only receive 70% of amounts that are determined.

TRANSFER PRICING

Transfer pricing regulations for maquiladoras establish certain options for compliance, which consider the possibility of carrying out a transfer pricing study available for their review, submit such study for the tax authorities’ approval called the Advance Pricing Agreement (APA), or attach the calculation option known as “Safe Harbor.”

Transfer pricing study and APA options are prepared by subject experts and have the purpose of determining the normal ranges of prices used between non-related parties to calculate services on an arm’s-length basis for similar transactions. It is applied in the maquiladora as an operation’s profit percentage.

During the years 2021 and 2020, the Company prepared a transfer pricing study based on the dispositions of Article 216-BIS of the Income Tax Law. Such a study determined that the range of profit margins on operation costs and expenses were reasonable.

The Company retains outside experts to carry out transfer pricing studies for the purpose of determining the normal ranges of prices used between non-related parties to calculate services on an arm’s-length basis for similar transactions.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

LEASE AGREEMENTS

The Company rents office space and equipment in India, Mexico and El Paso, Texas, under non-cancellable operating leases, which have expiration dates ranging from February 2022 to April 2026. Future minimum lease payments are as follows as of December 31:

| | |
|------------------------------|--------------------|
| 2022 | \$2,070,110 |
| 2023 | 1,594,343 |
| 2024 | 1,152,096 |
| 2025 | 540,550 |
| 2026 | <u>157,920</u> |
| Total minimum lease payments | <u>\$5,515,019</u> |

Rent expense for operating leases totaled \$2,862,641 and \$3,055,721 in 2021 and 2020, respectively.

EMPLOYEE BENEFITS

Employees in Mexico are entitled to receive a share of the profits of the employer, generally 10% of the taxable income, in accordance with the Mexican Federal Labor Law. The contribution is computed recognizing the effects of non-recurring timing differences between tax and accounting income on which it may be reasonably determined, over a defined period, if a benefit or liability will arise. For the years ended December 31, 2021 **and 2020**, there were no timing differences which qualified for the computation of deferred employee profit sharing contributions. The employee profit sharing contribution is determined following the provision of Mexican income tax law without the effects of inflation. The contribution was \$73,029 and \$61,745 in U.S. dollars for the years ended December 31, 2021 **and 2020**, respectively.

Obligations for defined benefit plans in Mexico are calculated annually by actuaries using the projected unit credit method when the calculation results in a possible asset for the Company. The recognized asset is limited to the present value of the economic benefits available in the form of future refunds of the plan or reductions in future contributions thereto. To calculate the present value of economic benefits, any minimum financing requirement should be considered.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE BENEFITS (CONTINUED)

The labor cost of current service, which represents the periodic cost of employee benefits for having completed one more year of working life based on the benefit plans, is recognized in operating costs and expenses. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of estimates of contributions and benefit payments.

Modifications to the plans that affect past service cost are recognized in income immediately in the year the modification occurs, with no possibility of deferral in subsequent years. Furthermore, the effects of events of liquidation or reduction of obligations in the period that significantly reduce future service cost and/or the population eligible for benefits are recognized in income of the period.

Remeasurements before actuarial gains and losses resulting from differences between the projected and actual actuarial assumptions at the end of the period are recognized when incurred as part of other comprehensive income (“OCI”).

The components of defined benefit cost and liability (“DBNL”) for the years ended December 31, 2021 **and** 2020 are as follows:

| | <u>Seniority Premium</u> | | <u>Severance Compensation</u> | |
|--|--------------------------|-----------------|-------------------------------|------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Current service cost (“CLSA”) | \$103,926 | \$87,403 | \$207,227 | \$179,617 |
| Net interest on DBNL | 21,803 | 17,476 | 50,057 | 41,533 |
| Reclassification of remeasurements of DBNL in OCI recognized in income of the period | <u>(6,544)</u> | <u>(8,493)</u> | <u>(48,548)</u> | <u>(57,857)</u> |
| Defined benefit cost | <u>\$119,185</u> | <u>\$96,386</u> | <u>\$208,736</u> | <u>\$163,293</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE BENEFITS (CONTINUED)

| | <u>Seniority Premium</u> | | <u>Severance Compensation</u> | |
|--|--------------------------|------------------|-------------------------------|------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Beginning balance of DBNL or remeasurements | \$62,182 | \$79,009 | \$478,191 | \$553,739 |
| Remeasurements generated in the year | (6,544) | (8,493) | (48,548) | (57,857) |
| Reclassification of remeasurements of DBNL in OCI recognized in income of the period | <u>(65,362)</u> | <u>(8,334)</u> | <u>(71,941)</u> | <u>(17,691)</u> |
| Ending balance of DBNL recognized in OCI | <u>\$ (9,724)</u> | <u>\$62,182</u> | <u>\$357,702</u> | <u>\$478,191</u> |
| Beginning balance of DBNL | \$355,887 | \$261,633 | \$ 822,590 | \$627,905 |
| Defined benefit cost | 119,185 | 96,386 | 208,736 | 163,293 |
| Other adjustments | 48,917 | 11,812 | 119,152 | 64,856 |
| Effects of exchange rate in beginning balance | <u>(10,070)</u> | <u>(13,944)</u> | <u>(23,276)</u> | <u>(33,464)</u> |
| Ending balance of DBNL | <u>\$513,919</u> | <u>\$355,887</u> | <u>\$1,127,202</u> | <u>\$822,590</u> |

Significant assumptions used in determining the net periodic cost of the seniority premium and severance compensation are as follows:

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| Discount rate | 8.50% | 6.60% |
| Rate of compensation increase | 5.50% | 5.50% |
| Average remaining labor life of employees | 9.20 yrs | 9.29 yrs |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

RETIREMENT PLAN

The Company maintains a defined contribution 401(k) profit sharing plan. Employees must have 90 days of service and be at least 21 years old to participate. Participants may elect to defer any amount of their eligible compensation, not to exceed the dollar limit set by law. All participants that contributed during the Plan year and are employed on the last day of each Plan year are eligible to receive a discretionary employer matching contribution which is based on a percentage of eligible compensation. The Plan provides for partial vesting after three years and full vesting after six years of service for the Company's remaining contribution. The Company's contributions under the Plan amounted to \$81,941 and \$89,474 for the years ended December 31, 2021 and 2020, respectively.

INCOME TAX MATTERS

Datamark Futurity, LLC is a disregarded entity for federal income tax purposes and included in the tax return of Datamark, Inc.

Datamark de Mexico, S.A. de C.V. is subject to income tax in accordance with Mexican Law. In accordance with the new Income Tax ("IT") Law in force January 1, 2014, the IT is calculated at the tax rate of 30% of taxable income which differs from accounting income mainly due to permanent differences such as inflationary effects and expense that is not deductible or partially deductible, among others.

Datamark Prodapt India BPO LLP is a 100% EOU unit registered under Software Technology Parks of India and is exempt from income tax under Section 10B, India Regulations.

Datamark BPO Service Private Limited is a 100% EOU unit registered under Software Technology Parks of India and is exempt from income tax under Section 10B, India Regulations.

Net deferred tax asset (liability) consists of the following components as of December 31:

| | <u>2021</u> | <u>2020</u> |
|---|------------------|------------------|
| Deferred tax assets: | | |
| Net operating loss carryforward | \$ | \$ 936,121 |
| Foreign tax credit (carryforward expiration dates ranging from 2022 to 2030) | 149,949 | 156,481 |
| Other tax assets | <u>868,710</u> | <u>911,936</u> |
| Total deferred tax assets | <u>1,018,659</u> | <u>2,004,538</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

INCOME TAX MATTERS (CONTINUED)

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------------|--------------------|
| Deferred tax liabilities: | | |
| Difference in property and equipment bases | (1,252,316) | (1,791,405) |
| Other tax liabilities | <u> </u> | <u>(10,204)</u> |
| Total deferred tax liabilities | <u>(1,252,316)</u> | <u>(1,801,609)</u> |
| Net deferred tax asset (liability) | \$ <u>(233,657)</u> | \$ <u>202,929</u> |

The components giving rise to the net deferred tax asset (liability) described above have been classified in the accompanying balance sheet as follows as of December 31:

| | <u>2021</u> | <u>2020</u> |
|---------------------------|---------------------|--------------------|
| Non-current tax asset | \$ 1,018,659 | \$2,004,538 |
| Non-current tax liability | <u>(1,252,316)</u> | <u>(1,801,609)</u> |
| | \$ <u>(233,657)</u> | \$ <u>202,929</u> |

The expense (benefit) for income taxes charged to operations consists of the following for the years ended December 31:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|---------------------|-------------------|
| Current tax expense: | | |
| U.S. | \$ 218,642 | \$ |
| Non-U.S. | <u>675,011</u> | <u>501,854</u> |
| | <u>893,653</u> | <u>501,854</u> |
| Deferred tax expense (benefit): | | |
| U.S. deferred tax | 507,005 | (189,397) |
| Non-U.S. deferred tax | <u>(64,221)</u> | <u>(176,784)</u> |
| | <u>442,784</u> | <u>(366,181)</u> |
| | \$ <u>1,336,437</u> | \$ <u>135,673</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONTINGENCIES

The Company, in the ordinary course of business, is the subject of or party to various pending or threatened litigation. While it is not possible to predict with certainty the outcome of these matters, management does not believe that they will materially affect the financial position of the Company.

NEW ACCOUNTING STANDARDS PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, “*Leases (Topic 842)*.” When effective, the ASU will supersede FASB ASC 840, “*Leases*,” and add “*(Topic 842), Leases*,” to the FASB ASC. For entities other than public business entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application is permitted. This ASU is based on the principle that entities should recognize assets and liabilities arising from leases, and does not significantly change the lessee’s recognition, measurement and presentation of expenses and cash flows from the previous accounting standard. The ASU’s primary change is the requirement for entities to recognize a lease liability for payments and a right of use asset representing the right to use the leased asset during the term of operating lease arrangements. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. The Company is currently reviewing the provisions of the new standard.

SUBSEQUENT EVENTS

In January 2022, the Company’s extended the line-of-credit agreement with its primary financial institution to a new maturity date of January 2023.

In June 2022, the Company refinanced its note payable for transportation equipment in the amount of \$6,205,000. Under the refinanced agreement, monthly payments are \$61,416 plus interest at 3.82%, with a balloon payment of \$2,261,416 due at maturity in July 2029.

In June 2022, the Company repurchased a total of 500 shares of common stock from two of the Company’s shareholders for \$1,343,000 (\$2,686 per share).

The Company has evaluated subsequent events through August 5, 2022, the date which the consolidated financial statements were available to be issued.

SBNG

SUPPLEMENTARY INFORMATION

SBNG
CERTIFIED PUBLIC ACCOUNTANTS

DATAMARK, INC. AND SUBSIDIARIES

SCHEDULE OF CONSOLIDATED GENERAL AND ADMINISTRATIVE EXPENSES

Years Ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|--------------------------|--------------------------|
| General and administrative wages | \$ 19,423,752 | \$ 19,156,692 |
| Depreciation | 3,958,621 | 3,322,672 |
| Fringe benefits | 3,163,797 | 2,146,624 |
| Taxes and licenses | 3,163,155 | 3,347,691 |
| Rent | 2,862,641 | 3,055,721 |
| Repairs and maintenance | 2,405,538 | 2,295,847 |
| Advertising and marketing | 2,021,028 | 2,166,953 |
| Professional fees | 1,004,908 | 1,303,233 |
| Health and other benefits | 911,857 | 561,821 |
| Telephone | 858,559 | 869,387 |
| Insurance | 702,765 | 681,700 |
| Supplies | 687,667 | 788,043 |
| Retirement plan contributions | 645,763 | 586,015 |
| Vacation and holidays | 435,875 | 435,247 |
| Recruiting | 377,216 | 268,888 |
| Charitable contributions | 353,595 | 241,518 |
| Utilities | 346,977 | 416,465 |
| Travel | 284,476 | 394,083 |
| Contract services | 217,651 | 269,715 |
| Transportation and storage | 210,273 | 159,171 |
| Meals and entertainment | 132,874 | 98,458 |
| Postage | 99,485 | 236,259 |
| Education and training | 66,058 | 18,491 |
| Dues and subscriptions | 50,962 | 48,422 |
| Bank fees | 16,787 | 23,085 |
| Customs fees | 2,532 | 8,029 |
| Penalties | 341 | 88 |
| Bad debt expense | | 418,458 |
| Miscellaneous | <u>196,768</u> | <u>284,019</u> |
| Total general and administrative expenses | <u>\$ 44,601,921</u> | <u>\$ 43,602,795</u> |

See independent auditors' report on supplementary information.

DATAMARK, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2020 AND 2019
AND INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Shareholders
Datamark, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Datamark, Inc. (a Texas corporation) and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We did not audit the financial statements of Datamark, Inc.'s wholly-owned subsidiaries, Datamark de Mexico, S.A. de C.V., Datamark BPO Service Private Limited, and Datamark Prodapt India BPO LLP. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it related to the amounts included for Datamark de Mexico, S.A. de C.V., Datamark BPO Service Private Limited, and Datamark Prodapt India BPO LLP, is based solely on the report of other auditors.

To the Shareholders
Datamark, Inc. and Subsidiaries

Auditors' Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Datamark, Inc. and Subsidiaries as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on page 25 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

SBNG, PC

El Paso, Texas
June 30, 2021

DATAMARK, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2020 and 2019

| <u>ASSETS</u> | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 6,939,943 | \$ 1,007,122 |
| Investments | 2,840 | 2,840 |
| Trade receivables, net | 8,546,532 | 8,446,630 |
| Income taxes receivable | 80,860 | |
| Foreign taxes receivable | 194,184 | 425,140 |
| Other receivables | 55,059 | 1,071 |
| Prepaid expenses | 984,138 | 819,401 |
| Other current assets | <u>190,688</u> | <u>199,859</u> |
| Total current assets | 16,994,244 | 10,902,063 |
| Property and equipment, net | 18,298,633 | 17,572,334 |
| Cash surrender value of life insurance | 1,699,336 | 1,602,355 |
| Deferred tax asset, net | 202,929 | |
| Foreign taxes receivable, noncurrent | 1,358,484 | 1,191,448 |
| Deposits | 384,088 | 363,899 |
| Goodwill | 440,138 | 440,138 |
| Other noncurrent assets | <u>537,536</u> | <u>457,463</u> |
| Total assets | <u>\$39,915,388</u> | <u>\$32,529,700</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS
(CONTINUED)**

December 31, 2020 and 2019

| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u> | <u>2020</u> | <u>2019</u> |
|---|---------------------|-----------------------------|
| Current liabilities: | | |
| Accounts payable | \$ 321,039 | \$ 535,509 |
| Accrued liabilities | 3,667,623 | 3,021,371 |
| Income taxes payable | | 177,087 |
| Foreign taxes payable | 652,360 | 563,783 |
| Deferred income | 278,301 | 24,966 |
| Current maturities of long-term debt | 1,326,537 | 510,000 |
| Other current liabilities | <u>333</u> | <u>4,213</u> |
| Total current liabilities | 6,246,193 | 4,836,929 |
| Deferred tax liability, net | | 29,486 |
| Foreign taxes payable, noncurrent | 947,838 | 883,707 |
| Line-of-credit | | 2,000,000 |
| Long-term debt, net of current maturities | 7,649,028 | 7,012,500 |
| Paycheck Protection Program loan | <u>3,140,432</u> | <u> </u> |
| Total liabilities | <u>17,983,491</u> | <u>14,762,622</u> |
| Shareholders' equity: | | |
| Common stock, \$.01 par value, 100,000 shares authorized, 15,807 shares issued | 158 | 158 |
| Additional paid-in capital | 223,954 | 223,954 |
| Accumulated other comprehensive loss | (3,048,479) | (3,016,262) |
| Treasury stock, at cost, 828 and 328 shares in 2020 and 2019, respectively | (1,846,075) | (546,075) |
| Retained earnings | <u>26,602,339</u> | <u>21,105,303</u> |
| Total shareholders' equity | <u>21,931,897</u> | <u>17,767,078</u> |
| Total liabilities and shareholders' equity | <u>\$39,915,388</u> | <u>\$32,529,700</u> |

The accompanying notes are an integral
part of these consolidated financial statements.

DATAMARK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years Ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Net sales | \$ 64,717,598 | \$ 52,249,636 |
| Cost of revenue earned | <u>15,323,325</u> | <u>11,517,966</u> |
| Gross profit | 49,394,273 | 40,731,670 |
| General and administrative expenses | <u>43,602,795</u> | <u>36,300,954</u> |
| Income from operations | <u>5,791,478</u> | <u>4,430,716</u> |
| Other income (expenses): | | |
| Change in value of cash surrender value of life insurance | 96,981 | 156,696 |
| Interest income | 14,890 | 5,167 |
| Interest expense | (325,456) | (100,027) |
| Loss on disposal of fixed assets | (403) | |
| Other income | <u>55,219</u> | <u>59,617</u> |
| | <u>(158,769)</u> | <u>121,453</u> |
| Net income before taxes | 5,632,709 | 4,552,169 |
| Income tax expense | <u>(135,673)</u> | <u>(1,163,840)</u> |
| Net income | <u>5,497,036</u> | <u>3,388,329</u> |
| Other comprehensive income (loss): | | |
| Foreign currency translation | (150,743) | (186,909) |
| Changes in pension and other postretirement benefits | <u>118,526</u> | <u>108,830</u> |
| | <u>(32,217)</u> | <u>(78,079)</u> |
| Comprehensive income | <u>\$ 5,464,819</u> | <u>\$ 3,310,250</u> |

The accompanying notes are an integral part of these consolidated financial statements.

DATAMARK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Years Ended December 31, 2020 and 2019

| | <u>Common Stock</u> | | <u>Treasury Stock</u> | | <u>Additional</u> | <u>Accumulated</u> | <u>Retained</u> | <u>Total</u> |
|----------------------------|---------------------|---------------|-----------------------|----------------------|-------------------|-----------------------|----------------------|----------------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Shares</u> | <u>Amount</u> | <u>Paid-In</u> | <u>Comprehensive</u> | <u>Earnings</u> | |
| | | | | | <u>Capital</u> | <u>Loss</u> | | |
| Balance, December 31, 2018 | 15,807 | \$ 158 | 264 | \$ (430,875) | \$ 223,954 | \$ (2,938,183) | \$ 17,716,974 | \$ 14,572,028 |
| Other comprehensive loss | | | | | | (78,079) | | (78,079) |
| Purchase of treasury stock | | | 64 | (115,200) | | | | (115,200) |
| Net income | _____ | _____ | _____ | _____ | _____ | _____ | <u>3,388,329</u> | <u>3,388,329</u> |
| Balance, December 31, 2019 | 15,807 | 158 | 328 | (546,075) | 223,954 | (3,016,262) | 21,105,303 | 17,767,078 |
| Other comprehensive loss | | | | | | (32,217) | | (32,217) |
| Purchase of treasury stock | | | 500 | (1,300,000) | | | | (1,300,000) |
| Net income | _____ | _____ | _____ | _____ | _____ | _____ | <u>5,497,036</u> | <u>5,497,036</u> |
| Balance, December 31, 2020 | <u>15,807</u> | <u>\$ 158</u> | <u>828</u> | <u>\$(1,846,075)</u> | <u>\$ 223,954</u> | <u>\$ (3,048,479)</u> | <u>\$ 26,602,339</u> | <u>\$ 21,931,897</u> |

The accompanying notes are an integral part of these consolidated financial statements.

DATAMARK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|------------------------|------------------------|
| Cash flows from operating activities: | | |
| Net income | \$ 5,497,036 | \$ 3,388,329 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 3,322,672 | 1,586,424 |
| Bad debt expense | 418,458 | |
| Deferred taxes | (232,415) | 352,956 |
| Loss on disposal of fixed assets | 403 | |
| (Increase) decrease in assets: | | |
| Trade receivables, net | (550,577) | (1,328,532) |
| Income taxes receivable | (80,860) | |
| Foreign taxes receivable | 63,920 | (414,240) |
| Other receivables | (53,988) | 11,954 |
| Prepaid expenses | (164,737) | (190,465) |
| Deposits | (20,189) | 9,633 |
| Other assets | (70,902) | (193,710) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (214,470) | 75,104 |
| Accrued liabilities | 646,252 | 404,584 |
| Income taxes payable | (177,087) | 134,754 |
| Foreign taxes payable | 152,708 | 386,260 |
| Deferred income | 253,335 | 24,966 |
| Other liabilities | <u>(3,880)</u> | <u>(4,545)</u> |
| Net cash provided by operating activities | <u>8,785,679</u> | <u>4,243,472</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (4,049,374) | (8,479,718) |
| Proceeds from sale of property and equipment | | 22,568 |
| Increase in cash surrender value of life insurance | (96,981) | (156,696) |
| Purchase of treasury stock | <u>(1,300,000)</u> | <u>(115,200)</u> |
| Net cash used in investing activities | <u>(5,446,355)</u> | <u>(8,729,046)</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(CONTINUED)

Years Ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|-----------------------------|
| Cash flows from financing activities: | | |
| Dividends paid to shareholders | \$ | \$ (1,000,000) |
| Draws (payments) on line-of-credit, net | (2,000,000) | 2,000,000 |
| Issuance of long-term debt | 2,500,000 | |
| Payments on long-term debt | (1,046,935) | (127,500) |
| Paycheck Protection Program loan advance | <u>3,140,432</u> | <u> </u> |
| Net cash provided by financing activities | <u>2,593,497</u> | <u>872,500</u> |
| Increase (decrease) in cash and cash equivalents | 5,932,821 | (3,613,074) |
| Cash and cash equivalents, beginning of year | <u>1,007,122</u> | <u>4,620,196</u> |
| Cash and cash equivalents, end of year | <u>\$ 6,939,943</u> | <u>\$ 1,007,122</u> |
| Supplementary cash flow information: | | |
| Interest paid | <u>\$ 325,456</u> | <u>\$ 100,027</u> |
| Income taxes paid | <u>\$ 501,854</u> | <u>\$ 941,262</u> |
| Non-cash investing and financing activities: | | |
| Acquisition of equipment through issuance of long-term debt | <u>\$</u> | <u>\$ 7,650,000</u> |
| Foreign currency translation loss | <u>\$ 150,743</u> | <u>\$ 186,909</u> |

The accompanying notes are an integral part of these consolidated financial statements.

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements of Datamark, Inc. (“the Company”) and Subsidiaries include accounts of its wholly owned subsidiaries, Datamark Futurity, LLC, Datamark de Mexico, S.A. de C.V., Datamark BPO Service Private Limited, and Datamark Prodapt India BPO LLP. Material intercompany transactions and balances have been eliminated in consolidation.

Company Activities - Datamark, Inc. was incorporated in November 1989. The Company and its subsidiaries provide business process outsourcing (BPO), contact center (call center) and business process improvement solutions and services for U.S.-based and international mid-market and large enterprise clients. The Company’s BPO services include back-office functions such as digital mailroom management, document management processing, enterprise content management, data adjudication for multiple industries including transportation, healthcare, financial services, and high-volume document scanning. The Company’s contact center services include multilingual customer care, inbound and outbound sales, government 311 non-emergency hotline services and over-the-phone language interpretation services. The Company’s subsidiaries operate in Ciudad Juarez, Mexico; Chihuahua City, Mexico; Mumbai, India; and Chennai, India.

Foreign Operations - Operations outside the United States are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange. The Company does not engage in hedging activities to mitigate its exposure to fluctuations in foreign currency exchange rates. The functional currencies of the Company's foreign operations are the local currencies.

The Company follows the provisions of FASB ASC 830. These provisions provide general guidance on foreign currency issues, including functional currency and currency conversion. The financial statements of the Company's foreign subsidiaries have been translated into U.S. dollars. All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date. Income statement amounts have been translated using the average exchange rate for the year. Accumulated net translation adjustments have been reported separately in other comprehensive income in the consolidated financial statements. Foreign currency translation adjustments resulted in losses of \$150,743 and \$186,909 in 2020 and 2019, respectively.

Basis of Accounting - The Company's policy is to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America under the accrual basis of accounting which generally records items using historical costs and requires the use of estimates and assumptions. The accrual basis of accounting records revenue in the period in which earned rather than when received and records expenses in the period in which incurred rather than when paid.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition – Effective January 1, 2020, the Company adopted the provisions of ASC Topic 606 “*Revenue from Contracts with Customers*.” The ASC provides a robust framework for addressing revenue recognition issues and improves comparability of revenue recognition practices across industries. Substantially all Company revenues are recognized from services provided at a point in time rather than over the duration of a contract. Additional quantitative and qualitative information is presented in the accompanying notes to the consolidated financial statements.

Comprehensive Income - Comprehensive income includes all changes in equity during a period except those that resulted from investments by or distributions to the Company’s shareholders. Other comprehensive income refers to revenues, expenses, gains and losses that, under generally accepted accounting principles, are included in comprehensive income, but excluded from net income as these amounts are recorded directly as an adjustment to shareholders’ equity. The Company’s other comprehensive income (loss) is composed of foreign currency translation adjustments and changes in pension and other postretirement benefits not recognized in periodic pension cost.

Cash and Cash Equivalents - For the purpose of the statements of cash flows, the Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Trade Receivables, Net - The Company carries its accounts receivable at original invoice for services provided to customers. The Company has provided an allowance for doubtful accounts at year-end based on management’s estimate of the collectability of accounts receivable. The allowance for doubtful accounts was \$302,355 at December 31, 2020. There was no balance in the allowance for doubtful accounts at December 31, 2019.

Property and Equipment, Net - Property and equipment, net is carried at cost. Depreciation and amortization are computed using principally the straight-line method based upon estimated useful lives of the assets, which range from 3 to 20 years. Leasehold improvements are amortized over the shorter of the life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill - Goodwill arises from business combinations and is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any non-controlling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill acquired in a purchase business combination and determined to have an indefinite useful life is not amortized but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed. Goodwill is the only intangible asset with an indefinite life on the Company's balance sheets.

Impairment of Long-Lived Assets - The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. As of December 31, 2020 and 2019, there were no impairment losses recognized for long-lived assets.

Income Taxes - Income taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of the assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rebates on the date of enactment.

The Company's tax returns are subject to examination by federal taxing authorities. The tax law, rules and regulations governing these returns are complex, technical, and subject to varying interpretations. If an examination required the Company to make adjustments, the profit or losses would be adjusted accordingly. No examination is currently in process. The Company is no longer subject to examination by U.S. federal taxing authorities for years before December 31, 2017.

Effective January 1, 2009, the Company adopted FASB ASC 740-10-50-15, "Accounting for Uncertainty in Income Taxes" - an Interpretation of FASB ASC 740-10-50-14 which was issued in July 2006. FASB ASC 740-10-50-15 prescribes measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties and disclosures required. As of December 31, 2020, the Company has not taken any tax position in a tax return which would require disclosure under FASB ASC 740-10-50-15.

Advertising and Marketing - Advertising and marketing costs are expensed as incurred. Advertising and marketing expense was \$2,166,953 and \$2,562,039 as of December 31, 2020 and 2019, respectively.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences - Employees of the Company are entitled to a paid vacation depending on length of service and other factors. The estimate related to compensated absences is based on vacation hours earned and current pay rates. The cost of compensated absences is recognized as general and administrative expense.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2019 financial statement presentation to correspond to the current year's format. Total equity and net income are unchanged due to these reclassifications.

CONCENTRATION OF CREDIT RISK

The Company maintains a cash account at one financial institution, which at times may exceed federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution.

The Company maintains cash balances in money market funds. These funds are not insured by the FDIC, nor are they a deposit or other obligation of, or guaranteed by a bank or other depository institution. Investment funds are subject to investment risks, including possible loss of the principal amount invested.

The Company maintains cash accounts for its foreign subsidiaries in both India and Mexico, where balances insured by the governing body in each country are very limited.

Management regularly monitors the financial condition of the institutions, along with the Company's balances in invested funds, and tries to keep this potential risk at a minimum. The Company has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

REVENUE RECOGNITION

On January 1, 2020, the Company adopted ASC Topic 606 “*Revenue from Contracts with Customers*” with no significant impact to its financial position or results of operations, using the modified retrospective method. The guidance in Topic 606 has been retrospectively applied to January 1, 2019 to conform with the requirements of presenting comparative financial statements. Results for reporting periods beginning after January 1, 2019 are presented under ASC Topic 606, while prior period amounts have not been restated and continue to be reported in accordance with the previous accounting requirements. There were no contracts which were not completed as of January 1, 2019 or 2018 that would have required the measurement of contract assets or contracts liabilities. Accordingly, the Company had no adjustment to opening Shareholders’ equity as of January 1, 2019 as a result of adopting ASC Topic 606. In addition, there was no material impact on revenues for the years ended December 31, 2020 and 2019 as a result of applying ASC Topic 606.

The Company recognizes revenue at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The principles in the standard are applied in the following five steps:

- 1) Identify Contracts with a Customer - The Company’s primary source of revenue is from business process outsourcing services. The Company regularly enters into mailroom, data entry, and call center sourcing contracts with clients from various industries. Such contracts normally have durations of three to five years. Out-of-contract services are also periodically provided.
- 2) Identify the Performance Obligations in the Contract - The Company’s contracts with customers normally include various contract obligations such as mail handling, scanning, data entry, financial processes, customer service calls, and language interpretation, most of which are recognized at a point in time. Management has evaluated the Company’s history and experience with other incidental contract obligations recognized over the duration of the contracts and has deemed them to be immaterial to the financial statements for the purpose of allocating revenue from services provided to different contract obligations.
- 3) Determine the Transaction Price - Transaction prices are negotiated individually with each customer. As part of the Company’s contracts, volume discounts and other price concessions are given to customers based on the terms of each individual customer contract. Such discounts and price concessions are recognized as a reduction of the transaction price at the same time revenue from services provided is recognized.
- 4) Allocate the Transaction Price - The entire transaction price is allocated to the services provided, with no consideration allocated to incidental services tied to sales contracts.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

REVENUE RECOGNITION (CONTINUED)

- 5) Recognize the Revenue When (or as) the Company Satisfies a Performance Obligation - The Company recognizes revenue when services are provided and the customer accepts work volumes, which normally occurs at the end of the week or month. Payments for substantially all sales invoices are due within 30 days. Sales taxes invoiced to customers and remitted to governmental authorities are excluded from net sales.

Disaggregation of Revenue - The Company recognizes revenue from the following service lines and geographic markets:

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|---------------------|---------------------|
| <i>Sales by service line:</i> | | |
| Mailroom with data entry | \$17,166,752 | \$22,671,172 |
| Data entry | 22,530,598 | 12,840,159 |
| Financial services | 1,098,543 | 775,666 |
| Call center | <u>23,921,705</u> | <u>15,962,639</u> |
| | <u>\$64,717,598</u> | <u>\$52,249,636</u> |
| <i>Sales by geographic market:</i> | | |
| Texas | \$24,743,657 | \$19,165,499 |
| Pennsylvania | 2,940,504 | 5,138,353 |
| Mexico | 21,310,363 | 16,294,877 |
| India | <u>15,723,074</u> | <u>11,650,907</u> |
| | <u>\$64,717,598</u> | <u>\$52,249,636</u> |

TRADE RECEIVABLES, NET

Components of trade receivables, net consisted of the following at December 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|--------------------|--------------------|
| Trade receivables | \$8,848,887 | \$8,446,630 |
| Less allowance for doubtful accounts | <u>302,355</u> | <u> </u> |
| Total | <u>\$8,546,532</u> | <u>\$8,446,630</u> |

Bad debt expense for the year ended December 31, 2020 was \$418,458. There was no bad debt expense for the year ended December 31, 2019.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

MAJOR CUSTOMERS AND RECEIVABLES

Revenue from three major customers in 2020 and two major customers in 2019 amounted to approximately \$31,196,000 and \$22,624,000 of total revenue earned for the years ended December 31, 2020 and 2019.

Approximately 48% and 31% of gross trade receivables at December 31, 2020 and 2019, respectively, were from four of the Company's customers. Of these customers, each has individual receivable balances between 8% and 15% at December 31, 2020, and between 3% and 11% at December 31, 2019.

PROPERTY AND EQUIPMENT, NET

The components of property and equipment, net are as follows at December 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|---------------------|---------------------|
| Computer equipment | \$ 8,791,731 | \$ 6,154,230 |
| Office furniture and equipment | 5,655,721 | 4,548,984 |
| Leasehold improvements | 2,620,514 | 1,659,580 |
| Software | 5,099,628 | 2,140,944 |
| Transportation equipment | 8,614,953 | 8,585,234 |
| Security equipment | 621,636 | 326,100 |
| Buildings | 92,112 | 89,715 |
| Work in progress | <u>12,757</u> | <u>4,058,949</u> |
| | | |
| Total property and equipment, at cost | 31,509,052 | 27,563,736 |
| Less accumulated depreciation | <u>13,210,419</u> | <u>9,991,402</u> |
| | | |
| Property and equipment, net | <u>\$18,298,633</u> | <u>\$17,572,334</u> |

Depreciation expense amounted to \$3,322,672 and \$1,586,424 for the years ended December 31, 2020 and 2019, respectively.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

CASH SURRENDER VALUE OF LIFE INSURANCE

The Company is a beneficiary of a split dollar life insurance policy on the life of an employee. The Company has rights to the collection of premiums paid at the death of the employee which approximates the cash surrender value at December 31, 2020 and 2019. The policy's cash surrender value was \$1,699,336 and \$1,602,355 for the years ended December 31, 2020 and 2019, respectively.

DEPOSITS

Deposits consist of payments under lease agreements and utilities that service the Company until the lease or service is terminated. The Company had \$384,088 and \$363,899 of deposits held by lessors and utility companies as of December 31, 2020 and 2019, respectively.

LINE-OF-CREDIT

The Company has a line-of-credit with its primary financial institution in the amount of \$4,500,000. The line bears interest at a rate of 0% above the CB floating rate on any balance outstanding, maturing January 2022. At December 31, 2020 and 2019, the interest rate was 3.25% and 4.75%, respectively. The outstanding balance on the line of credit as of December 31, 2019 was \$2,000,000. There was no outstanding balance on the line of credit as of December 31, 2020.

PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Company received a loan through the Coronavirus Aid, Relief and Economic Security Act ("CARES") in the amount of \$3,140,432. CARES authorized the United States Small Business Administration ("SBA") and financial institutions to provide payroll assistance programs to eligible businesses through the Paycheck Protection Program ("PPP"). The loan is subject to the terms of CARES and SBA guidelines. The balance of the payroll protection program loan as of December 31, 2020 was \$3,140,432. As allowed for in the agreement, the Organization submitted a request to the lender for debt forgiveness as stipulated in CARES and the PPP. In June 2021, the SBA forgave the full loan amount of \$3,140,432.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

LONG-TERM DEBT, NET

Long-term debt, net consisted of the following as of December 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| Note payable to a financial institution for \$7,650,000. Monthly payments are \$42,500, plus interest at 2.874% per annum, with a balloon payment of \$5,142,000 due at maturity and matures in September 2024. Secured by transportation equipment and a guarantee by Datamark, Inc. | \$7,012,500 | \$7,522,500 |
| Note payable to a financial institution for \$2,500,000. Monthly payments are \$72,593 including interest at 2.9% per annum and matures in May 2023. Secured by equipment. | <u>1,963,065</u> | _____ |
| | 8,975,565 | 7,522,500 |
| Less current maturities | <u>1,326,537</u> | <u>510,000</u> |
| Notes payable, net of current maturities | <u>\$7,649,028</u> | <u>\$7,012,500</u> |

Future minimum payments consisted of the following at December 31:

| | |
|-------|--------------------|
| 2021 | \$1,326,537 |
| 2022 | 1,359,092 |
| 2023 | 807,436 |
| 2024 | <u>5,482,500</u> |
| Total | <u>\$8,975,565</u> |

RESTRICTION ON STOCKHOLDERS' EQUITY

Five percent of net income from Datamark de Mexico, S.A. de C.V. must be appropriated to the statutory reserve, until it reaches 20% of the capital stock. The amount of contributions, updated on a tax basis, and made by the stockholders, may be refunded to them tax-free, provided that such amount equals or exceeds the stockholders' equity. Retained earnings, on which no income tax has been paid, are subject to income tax at the rate of 30%, payable by the Company; consequently, the stockholders may only receive 70% of amounts that are determined.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

TRANSFER PRICING

Transfer pricing regulations for maquiladoras establish certain options for compliance, which consider the possibility of carrying out a transfer pricing study available for their review, submit such study for the tax authorities' approval called the Advance Pricing Agreement (APA), or attach the calculation option known as "Safe Harbor."

Transfer pricing study and APA options are prepared by subject experts and have the purpose of determining the normal ranges of prices used between non-related parties to calculate services on an arm's-length basis for similar transactions. It is applied in the maquiladora as an operation's profit percentage.

During the years 2020 and 2019, the Company prepared a transfer pricing study based on the dispositions of Article 216-BIS of the Income Tax Law. Such a study determined that the range of profit margins on operation costs and expenses were reasonable.

The Company retains outside experts to carry out transfer pricing studies for the purpose of determining the normal ranges of prices used between non-related parties to calculate services on an arm's-length basis for similar transactions.

LEASE AGREEMENTS

The Company rents office space and equipment in India, Mexico and El Paso, Texas, under non-cancellable operating leases, the last of which expires February 2025. Future minimum lease payments are as follows as of December 31:

| | |
|------------------------------|--------------------|
| 2021 | \$1,813,396 |
| 2022 | 1,500,496 |
| 2023 | 1,097,495 |
| 2024 | 639,594 |
| 2025 | <u>30,951</u> |
| Total minimum lease payments | <u>\$5,081,932</u> |

Rent expense for operating leases totaled \$3,055,721 and \$2,142,400 in 2020 and 2019, respectively.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

EMPLOYEE BENEFITS

Employees in Mexico are entitled to receive a share of the profits of the employer, generally 10% of the taxable income, in accordance with the Mexican Federal Labor Law. The contribution is computed recognizing the effects of non-recurring timing differences between tax and accounting income on which it may be reasonably determined, over a defined period, if a benefit or liability will arise. For the years ended December 31, 2020 and 2019, there were no timing differences which qualified for the computation of deferred employee profit sharing contributions. The employee profit sharing contribution is determined following the provision of Mexican income tax law without the effects of inflation. The contribution was \$61,745 and \$67,059 in U.S. dollars for the years ended December 31, 2020 and 2019, respectively.

Obligations for defined benefit plans in Mexico are calculated annually by actuaries using the projected unit credit method when the calculation results in a possible asset for the Company, the recognized asset is limited to the present value of the economic benefits available in the form of future refunds of the plan or reductions in future contributions thereto. To calculate the present value of economic benefits, any minimum financing requirement should be considered.

The labor cost of current service, which represents the periodic cost of employee benefits for having completed one more year of working life based on the benefit plans, is recognized in operating costs and expenses. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of estimates of contributions and benefit payments.

Modifications to the plans that affect past service cost are recognized in income immediately in the year the modification occurs, with no possibility of deferral in subsequent years. Furthermore, the effects of events of liquidation or reduction of obligations in the period that significantly reduce future service cost and/or the population eligible for benefits are recognized in income of the period.

Remeasurements before actuarial gains and losses resulting from differences between the projected and actual actuarial assumptions at the end of the period are recognized when incurred as part of other comprehensive income (“OCI”).

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE BENEFITS (CONTINUED)

The components of defined benefit cost and liability (“DBNL”) for the years ended December 31, 2020 and 2019 are as follows:

| | <u>Seniority Premium</u> | | <u>Legal Compensation</u> | |
|--|--------------------------|------------------|---------------------------|------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Current service cost (“CLSA”) | \$87,403 | \$48,237 | \$179,617 | \$146,066 |
| Net interest on DBNL | 17,476 | 14,173 | 41,533 | 38,665 |
| Reclassification of remeasurements of DBNL in OCI recognized in income of the period | <u>(8,493)</u> | <u>(14,110)</u> | <u>(57,857)</u> | <u>(66,083)</u> |
| Defined benefit cost | <u>\$96,386</u> | <u>\$48,300</u> | <u>\$163,293</u> | <u>\$118,648</u> |
| Beginning balance of DBNL or remeasurements | \$79,009 | \$130,601 | \$553,739 | \$393,318 |
| Remeasurements generated in the year | (8,493) | (37,482) | (57,857) | 226,504 |
| Reclassification of remeasurements of DBNL in OCI recognized in income of the period | <u>(8,334)</u> | <u>(14,110)</u> | <u>(17,691)</u> | <u>(66,083)</u> |
| Ending balance of DBNL recognized in OCI | <u>\$62,182</u> | <u>\$79,009</u> | <u>\$478,191</u> | <u>\$553,739</u> |
| Beginning balance of DBNL | \$261,633 | \$155,291 | \$627,905 | \$431,787 |
| Defined benefit cost | 96,386 | 48,300 | 163,293 | 118,648 |
| Other adjustments | 11,812 | 51,592 | 64,856 | 59,534 |
| Effects of exchange rate in beginning balance | <u>(13,944)</u> | <u>6,450</u> | <u>(33,464)</u> | <u>17,936</u> |
| Ending balance of DBNL | <u>\$355,887</u> | <u>\$261,633</u> | <u>\$822,590</u> | <u>\$627,905</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

EMPLOYEE BENEFITS (CONTINUED)

Significant assumptions used in determining the net periodic cost of the seniority premium and severance compensation are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| Discount rate | 6.60% | 7.35% |
| Rate of compensation increase | 5.50% | 5.50% |
| Average remaining labor life of employees | 9.29 yrs | 9.33 yrs |

RETIREMENT PLAN

The Company maintains a defined contribution 401(k) profit sharing plan. Employees must have 90 days of service and be at least 21 years old to participate. Participants may elect to defer any amount of their eligible compensation, not to exceed the dollar limit set by law. All participants that contributed during the Plan year and are employed on the last day of each Plan year are eligible to receive a discretionary employer matching contribution which is based on a percentage of eligible compensation. The Plan provides for partial vesting after three years and full vesting after six years of service for the Company's remaining contribution. The Company's contributions under the Plan amounted to \$89,474 and \$97,980 for the years ended December 31, 2020 and 2019, respectively.

INCOME TAX MATTERS

Datamark de Mexico, S.A. de C.V. is subject to income tax in accordance with Mexican Law. In accordance with the new Income Tax ("IT") Law in force January 1, 2014, the IT is calculated at the tax rate of 30% of taxable income which differs from accounting income mainly due to permanent differences such as inflationary effects and expense that is not deductible or partially deductible, among others.

Datamark Prodapt India BPO LLP is a 100% EOU unit registered under Software Technology Parks of India and is exempt from income tax under Section 10B, India Regulations.

Datamark BPO Service Private Limited is a 100% EOU unit registered under Software Technology Parks of India and is exempt from income tax under Section 10B, India Regulations.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

INCOME TAX MATTERS (CONTINUED)

Net deferred tax asset (liability) consists of the following components as of December 31:

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| Deferred tax assets: | | |
| Net operating loss carryforward | \$ 936,121 | \$ |
| Foreign tax credit (carryforward expiration dates ranging from 2020 to 2030) | 156,481 | 80,077 |
| Other tax assets | <u>911,936</u> | <u>505,165</u> |
| Total deferred tax assets | <u>2,004,538</u> | <u>585,242</u> |
| Deferred tax liabilities: | | |
| Difference in property and equipment bases | (1,791,405) | (606,939) |
| Other tax liabilities | <u>(10,204)</u> | <u>(7,789)</u> |
| Total deferred tax liabilities | <u>(1,801,609)</u> | <u>(614,728)</u> |
| Net deferred tax asset (liability) | <u>\$ 202,929</u> | <u>\$ (29,486)</u> |

The components giving rise to the net deferred tax asset (liability) described above have been classified in the accompanying balance sheet as follows as of December 31:

| | <u>2020</u> | <u>2019</u> |
|---------------------------|--------------------|--------------------|
| Non-current tax asset | \$ 2,004,538 | \$ 585,242 |
| Non-current tax liability | <u>(1,801,609)</u> | <u>(614,728)</u> |
| | <u>\$ 202,929</u> | <u>\$ (29,486)</u> |

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

INCOME TAX MATTERS (CONTINUED)

The expense (benefit) for income taxes charged to operations consists of the following for the years ended December 31:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|-------------------|---------------------|
| Current tax expense: | | |
| U.S. | \$ | \$ 287,018 |
| Non-U.S. | <u>501,854</u> | <u>654,244</u> |
| | <u>501,854</u> | <u>941,262</u> |
| Deferred tax expense (benefit): | | |
| U.S. deferred tax | (189,397) | 362,196 |
| Non-U.S. deferred tax | <u>(176,784)</u> | <u>(139,618)</u> |
| | <u>(366,181)</u> | <u>222,578</u> |
| | <u>\$ 135,673</u> | <u>\$ 1,163,840</u> |

CONTINGENCIES

The Company, in the ordinary course of business, is the subject of or party to various pending or threatened litigation. While it is not possible to predict with certainty the outcome of these matters, management does not believe that they will materially affect the financial position of the Company.

RISKS AND UNCERTAINTIES

In early 2020, an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. As a result, events have occurred domestically in the United States, Mexico and India, including mandates from federal, state, and local authorities, leading to an overall decline in economic activity and various operational disruptions for the Company. The ultimate impact of COVID-19 on the Company’s financial performance and operations cannot be reasonably estimated.

(Continued)

DATAMARK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NEW ACCOUNTING STANDARDS PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, “*Leases (Topic 842)*.” When effective, the ASU will supersede FASB ASC 840, “*Leases*,” and add “*(Topic 842), Leases*,” to the FASB ASC. For entities other than public business entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application is permitted. This ASU is based on the principle that entities should recognize assets and liabilities arising from leases, and does not significantly change the lessee’s recognition, measurement and presentation of expenses and cash flows from the previous accounting standard. The ASU’s primary change is the requirement for entities to recognize a lease liability for payments and a right of use asset representing the right to use the leased asset during the term of operating lease arrangements. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. The Company is currently reviewing the provisions of the new standard.

SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 30, 2021, the date which the consolidated financial statements were available to be issued.

SBNG

SUPPLEMENTARY INFORMATION

SBNG
CERTIFIED PUBLIC ACCOUNTANTS

DATAMARK, INC. AND SUBSIDIARIES

SCHEDULE OF CONSOLIDATED GENERAL AND ADMINISTRATIVE EXPENSES

Years Ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| General and administrative wages | \$ 19,156,692 | \$ 16,793,370 |
| Taxes and licenses | 3,347,691 | 2,630,246 |
| Depreciation | 3,322,672 | 1,586,424 |
| Rent | 3,055,721 | 2,142,400 |
| Repairs and maintenance | 2,295,847 | 1,454,747 |
| Advertising and marketing | 2,166,953 | 2,562,039 |
| Fringe benefits | 2,146,624 | 2,345,477 |
| Professional fees | 1,303,233 | 983,264 |
| Telephone | 869,387 | 521,673 |
| Supplies | 788,043 | 568,730 |
| Insurance | 681,700 | 612,974 |
| Retirement plan contributions | 586,015 | 530,990 |
| Health and other benefits | 561,821 | 660,043 |
| Vacation and holidays | 435,247 | 332,379 |
| Bad debt expense | 418,458 | |
| Utilities | 416,465 | 421,576 |
| Travel | 394,083 | 825,650 |
| Contract services | 269,715 | 159,019 |
| Recruiting | 268,888 | 235,285 |
| Charitable contributions | 241,518 | 256,428 |
| Postage | 236,259 | 84,581 |
| Transportation and storage | 159,171 | 160,461 |
| Meals and entertainment | 98,458 | 173,269 |
| Dues and subscriptions | 48,422 | 46,923 |
| Bank fees | 23,085 | 12,141 |
| Education and training | 18,491 | 70,534 |
| Customs fees | 8,029 | 22,338 |
| Penalties | 88 | 285 |
| Miscellaneous | <u>284,019</u> | <u>107,708</u> |
| Total general and administrative expenses | <u>\$ 43,602,795</u> | <u>\$ 36,300,954</u> |

See independent auditors' report on supplementary information.