

STATE OF MICHIGAN  
 DEPARTMENT OF MANAGEMENT AND BUDGET  
 PURCHASING OPERATIONS  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

August 13, 2009

**CHANGE NOTICE NO. 8**  
**TO**  
**CONTRACT NO. 071B6200307**  
 (Supercedes Contract #071B2001444)  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>L-1 Secure Credentialing Inc.</b> <b>63 Third Avenue</b> <b>Burlington, MA 01803</b>  <a href="mailto:dredmond@L1ID.com">dredmond@L1ID.com</a>	TELEPHONE (260) 496-7480 <b>Dino Redmond</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 373-0301 <b>Sue Cieciva</b>
Contract Administrator: <b>Digital Imaging-Based Driver License System – DOS</b>	
CONTRACT PERIOD: From: <b>April 1, 2006</b> To: <b>December 31, 2009</b>	
TERMS <b>Net 30 Days</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>F.O.B. Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**NATURE OF CHANGE(S):**

Effective immediately, the attached L-1 Quotation Reference No. FQ20090707M104 Addition of an Organ Donor Symbol on all DL/ID cards dated August 13, 2009 is hereby accepted and incorporated into this Contract.

Addition of an Organ Donor Symbol on all DL/ID cards  
 Total Price: \$20,000.00

All other terms, conditions, specifications, and pricing remain unchanged.

**AUTHORITY/REASON:**

Per agency request dated August 13, 2009 and vendor quotation dated August 13, 2009.

**TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$10,665,139.48**



SECURE CREDENTIALING DIVISION

August 13, 2009

Ron Vrancheff  
Customer Services Administrator  
State of Michigan  
7064 Crowner Drive  
Lansing, MI 48918  
517-322-5032

**REFERENCE:            Quotation Request Dated July 7, 2009**  
**L-1 Quotation Reference Number: FQ20090707MI04**

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Dear Mr. Vrancheff:

L-1 Corporation ("L-1") is pleased to provide State of Michigan Department of State ("DOS") with this revised quotation in response to your request dated July 07, 2009. A description of the goods and/or services you have requested, plus certain terms and conditions of this quotation, are provided below.

**DESCRIPTION OF GOODS AND SERVICES:**

**Addition of an Organ Donor Symbol on all DL/ID cards.**

L-1 will start work on this solution following DOS's written acceptance of this quotation. Such written acceptance shall be in the form of a purchase order, letter, fax or e-mail that acknowledges DOS's acceptance of the quotation and shall indicate the software and the quoted price as specified on the final page of this quotation.

L-1 will deliver the software solution on or before November 30, 2009 upon receipt of purchase order on or before August 31, 2009.

The stated performance period is conditioned upon L-1 receiving timely written approval from DOS of each phase of the Statement of Work (delineated below).



SECURE CREDENTIALING DIVISION

## **STATEMENT OF WORK:**

### **1. Requirements Definition and Signoff**

L-1 and the DOS will develop the card and software change requirements along with the testing plan document. This document will be used as basis for the system modifications required for this solution

**Duration:** Approximately 3 weeks after DOS acceptance of this quote.

**Acceptance:** DOS will review the design changes and test plan for accuracy, then provide acceptance sign off within 5 days after delivery from L-1.

### **2. Development and Testing at L-1**

L-1 will create the system changes. The L-1 QA group will test the system and advise the developers of any defects. The developer will correct the defects and resubmit to QA.

**Duration:** Approximately 10 weeks from signoff of requirements and test plan document. L-1 will work with DOS on the timing of development and delivery to meet or precede the November 30, 2009 deadline.

**Acceptance:** Internal to L-1. The QA department will determine when the modified system will be released for User Acceptance Testing (UAT). The program manager will schedule the UAT in Lansing, MI with the technical lead, QA, and the DOS, as applicable.

### **3. UAT**

UAT environment will be set up in the MI test lab in Lansing, MI by DOS with L-1's assistance. The DOS will test the modified system and verify its function to conform to the requirements and test criteria (SOW step 1). L-1 QA staff will be in available in Lansing, MI to assist during UAT, if DOS and L-1 have so agreed.

**Duration:** Approximately 1 week, with 2 additional days of preparation.



SECURE CREDENTIALING DIVISION

**Acceptance:** Upon completion of UAT, MI will inform L-1 in writing that the modified system meets the requirements test criteria (step 1). The invoice is sent to the customer upon receipt of UAT acceptance.

#### **4. Post L-1 Implementation**

At the successful completion of UAT, DOS will create a schedule, copy to L-1 and deploy the modified system changes as part of the MI-DOS BAM implementation.

#### **ASSUMPTIONS:**

- New field required for Organ Donor in applicant data.
- Emergency Card System will not be modified to include the organ donor symbol.
- Organ Donor will not be added to the database.
- Organ Donor will not be added to the temp receipt or dossier (IRW).
- Estimate is based on the current Driver License System and not the new BAM application.
- Data layout from mainframe for card production will include organ donor.
- Factory Image File will be changed to incorporate organ donor field.
- Factory Development - Addition of donor field to the factory POFF
- Factory Development - Modification to production database table
- Factory Development - Donor symbol and card layout documents will be developed

#### **PAYMENT TERMS:**

In consideration of the goods and services provided to the DOS hereunder by L-1, DOS shall pay L-1 a one-time payment equal to the price quoted below, upon L-1's completion and delivery of the solution specified in this quotation.

This quotation contains confidential information of L-1 and to the maximum extent permitted under law, it should be deemed exempt from public disclosure.



SECURE CREDENTIALING DIVISION

L-1 is pleased to provide you with this quotation. Prices specified in this quotation shall remain fixed for a period of 60 days from the date of this quotation. Prices quoted herein are based upon the information that has been provided to L-1 by MI. If any of this information changes or is incorrect, L-1 reserves the right to make such adjustments to the prices in this quotation as L-1 deems appropriate in its sole discretion.

As an existing customer, the terms of this quotation are in accordance with the existing agreement in place between L-1 and MI. Please feel free to contact me with any questions or concerns you may have.

Sincerely,

A handwritten signature in black ink that reads 'Dino Redmond'. The signature is written in a cursive, flowing style.

Dino Redmond  
Regional Director  
L-1 Identity Solutions  
296 Concord Road  
Billerica, MA 01821  
Phone: 260-471-5320  
[DRedmond@L1ID.com](mailto:DRedmond@L1ID.com)



SECURE CREDENTIALING DIVISION

**QUOTATION**

Date: August 13, 2009  
Quote No: FQ20090707MI04  
Valid Through: 60 days from date above  
Payment Terms: Payable within 30 days of Invoice by DOS  
Delivery: Delivery of goods and services to be completed within 12 weekss after receipt of Purchase Order

**To:**

Ron Vrancheff  
Customer Services Administrator  
State of Michigan  
7064 Crowner Drive  
Lansing, MI 48918  
517-322-5032

**From:**

Dino Redmond  
Regional Director  
L-1 Identity Solutions  
296 Concord Road  
Billerica, MA 01821  
Phone: 260-471-5320  
[DRedmond@L1ID.com](mailto:DRedmond@L1ID.com)

Description of Goods as per Quote Letter	Total Price
Addition of an Organ Donor Symbol on all DL/ID cards.	\$20,000
<b>TOTAL</b>	

**NOTE:** This is a firm fixed quotation for goods and services.

**PAYMENT TERMS:**

Payable within 30 days of Invoice by DOS

STATE OF MICHIGAN  
 DEPARTMENT OF MANAGEMENT AND BUDGET  
 PURCHASING OPERATIONS  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

January 27, 2009

**CHANGE NOTICE NO. 7**  
**TO**  
**CONTRACT NO. 071B6200307**  
 (Supercedes Contract #071B2001444)  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>L-1 Secure Credentialing Inc.</b> <b>63 Third Avenue</b> <b>Burlington, MA 01803</b>  <a href="mailto:dredmond@L1ID.com">dredmond@L1ID.com</a>	TELEPHONE (260) 496-7480 <b>Dino Redmond</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 373-0301 <b>Sue Cieciva</b>
Contract Administrator: <b>Digital Imaging-Based Driver License System – DOS</b>	
CONTRACT PERIOD: From: <b>April 1, 2006</b> To: <b>December 31, 2009</b>	
TERMS <b>Net 30 Days</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>F.O.B. Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**NATURE OF CHANGE(S):**

Effective immediately, the following is hereby ADDED to this Contract:

**Enhanced Driver's License (EDL)**  
 RFID protection sleeve attached to a mail insert  
 57,000 units  
 Total Price: \$19,950.00

Reference L-1 Secure Credentialing Inc. quotation dated January 16, 2009.

All other terms, conditions, specifications, and pricing remain unchanged.

**AUTHORITY/REASON:**

Per agency request dated January 16, 2009 and vendor quotation dated January 16, 2009.

**TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$10,665,139.48**

STATE OF MICHIGAN  
DEPARTMENT OF MANAGEMENT AND BUDGET  
PURCHASING OPERATIONS  
P.O. BOX 30026, LANSING, MI 48909  
OR  
530 W. ALLEGAN, LANSING, MI 48933

October 2, 2008

**CHANGE NOTICE NO. 6**  
**TO**  
**CONTRACT NO. 071B6200307**  
(Supercedes Contract #071B2001444)  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>L-1 Secure Credentialing Inc.</b> <b>63 Third Avenue</b> <b>Burlington, MA 01803</b>  Email: <a href="mailto:dredmond@L1ID.com">dredmond@L1ID.com</a>	TELEPHONE (260) 496-7480 <b>Dino Redmond</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 373-0301 <b>Sue Cieciva</b>
Contract Administrator: <b>Digital Imaging-Based Driver License System – DOS</b>	
CONTRACT PERIOD: From: <b>April 1, 2006</b> To: <b>December 31, 2009</b>	
TERMS <b>Net 30 Days</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>F.O.B. Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**NATURE OF CHANGE(S):**

Effective August 13, 2008, Digimarc Corporation's ID Systems business became a wholly-owned subsidiary of L-1 Identity Solutions, Inc.

**Company name change and address as follows:**

**L-1 Secure Credentialing Inc.**  
**63 Third Avenue**  
**Burlington, MA 01803**

There is no change to the Federal Tax ID number. Mail code change to (003).

Vendor contact (Dino Redmond) email address is changed to [dredmond@L1ID.com](mailto:dredmond@L1ID.com)

All other terms, conditions, specifications, and pricing remain unchanged.

**AUTHORITY/REASON:**

Per vendor letter dated September 15, 2008.

**TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$10,665,139.48**

STATE OF MICHIGAN  
 DEPARTMENT OF MANAGEMENT AND BUDGET  
 PURCHASING OPERATIONS  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

September 12, 2008

**CHANGE NOTICE NO. 5**  
**TO**  
**CONTRACT NO. 071B6200307**  
 (Supercedes Contract #071B2001444)  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Digimarc Corporation</b> <b>9405 SW Gemini Drive</b> <b>Beaverton, OR 97008</b>  Email: <a href="mailto:dredmond@digimarc.com">dredmond@digimarc.com</a>	TELEPHONE Dino Redmond <b>(800) 627-3899 Ext. 7480</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 373-0301 <b>Sue Ciecwiwa</b>
Contract Administrator: <b>Digital Imaging-Based Driver License System – DOS</b>	
CONTRACT PERIOD: From: <b>April 1, 2006</b> To: <b>December 31, 2009</b>	
TERMS <b>Net 30 Days</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>F.O.B. Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**NATURE OF CHANGE(S):**

Effective immediately, the attached Digimarc quotation no. BE20080307M101 Enhanced Driver License Fixed Quote dated August 13, 2008 (6 pgs.) is hereby accepted and incorporated into this Contract.

**EDL Solution Pricing**

One-time fee for delivery of EDL system \$350,000.00

Per card pricing: \$4.50 each

Optional price for mailing directly to citizens including envelope and carrier: \$.15 per card. This excludes US postage.

In addition, this Contract is hereby INCREASED by \$635,000.00.

All other terms, conditions, specifications, and pricing remain unchanged.

**AUTHORITY/REASON:**

Per agency request dated August 11, 2008, vendor acceptance by letter dated August 13, 2008, and State Administrative Board approval on September 12, 2008.

**INCREASE: \$635,000.00**

**TOTAL REVISED ESTIMATED CONTRACT VALUE: \$10,665,139.48**



9405 SW Gemini Drive, Beaverton, OR 97008 USA  
 T. +1 503.469.4800 F. +1 503.469.4771 www.digimarc.com

August 13, 2008

Mr. Michael Wartella  
 Administrator  
 Central Records Administration  
 State of Michigan  
 7064 Crowner Drive  
 Lansing, MI 48918

**REFERENCE: Digimarc Quote Reference Number: BE20080307MI01  
 Enhanced Driver License Fixed Quote**

Dear Mr. Wartella,

Thank you for the opportunity to present a Digimarc proposal and fixed price to issue Michigan Enhanced Drivers License (EDL). Our intent with this proposal is to present to you:

- Background information on EDL,
- Why Digimarc should be your EDL solution partner, and
- Digimarc's offer, assumptions and pricing.



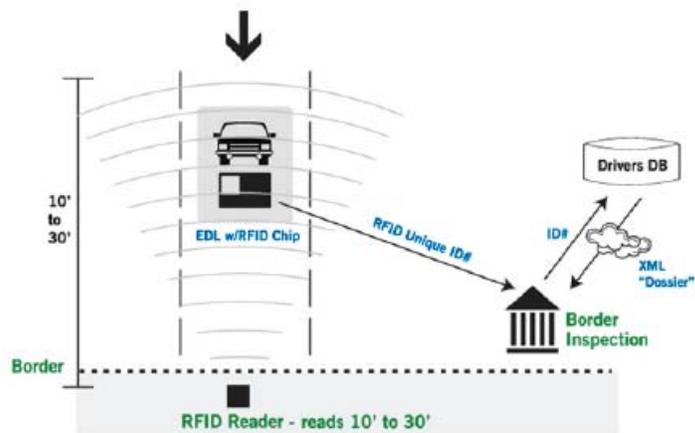
**EDL Background**

The Western Hemisphere Travel Initiative (WHTI) mandates that U.S. citizens seeking entrance to United States across any land or sea points of entry will need to present a passport or PASS Card as proof of identity and citizenship. The US Department of Homeland Security has established new driver license enrollment and issuance rules to allow 'Enhanced' Driver Licenses' (EDL) to be used as an identity document in lieu of a PASS Card. Washington State was the first jurisdiction to offer an EDL to its citizens.



**Post Issuance Border Inspection**

When a citizen with an EDL approaches a DHS border inspection point, a DHS proximity reader energizes the embedded RFID chip and reads the number encoded on the RFID chip in the card. The RFID chip is readable from a distance, which enables DHS to reduce wait times because inspectors can access ID records before the person reaches the crossing station. Once the unique



identifying number has been read, it is used to request the 'dossier' associated with that number from the state. The dossier contains information about the EDL holder such as portrait, name, address, date of issuance – information that is also present on the EDL document itself. The border agent uses the dossier, the card and visual and verbal information of the citizen to ensure they match the person in front of them and to make an informed pass/no pass decision.

It is important to note that the RFID chip does not carry or transmit personal information about the card carrier. The transaction between reader and state is performed within a secured network via web services communication protocol.

### **Workflow Recommendations**

1. Applicants will be required to apply in-person for the EDL, have a photo taken, be interviewed by Michigan DOS staff, and provide documentation to prove U.S. citizenship, identity, and Michigan State residency.
2. Michigan submits card print request for secure transmission to Digimarc factory over dedicated VPN. Michigan would have its own dedicated server at the factory to receive these transmissions so no data from other states would co-reside on this server.
3. The record would include all necessary demographic, portrait, endorsements and RFID number (added at the factory) to produce the card. There would also be the record tracking number unique to the record; this is not printed on the credential.
4. Digimarc factory would acknowledge receipt of the batch, schedule the production run, produce the cards, quality check, and mail the cards (back to Michigan DOS or optionally directly to the applicants).
5. Digimarc would generate and return a Production Reconciliation Report that includes the cards produced and exceptions (if any), as well as the assigned RFID number for the cards produced.



- Guaranteed card production tracking. One and only one card for every record sent.
- Guaranteed security of data and security materials.
- Guaranteed placement accuracy of variable content on card.
- No fault guarantee of card durability (physical).

### **Assumptions**

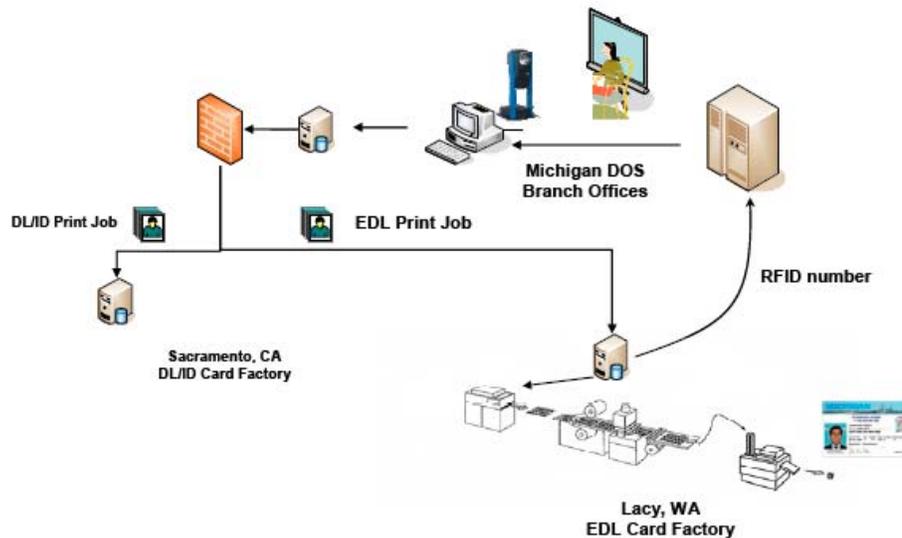
- EDL cards will be manufactured once per week.
- EDL production will begin on or after April 1, 2009
- Estimated card production is expected to be 6,250 cards per month.
- DHS image request will be controlled by MDOS and utilize the same MDOS web retrieval request into the Digimarc Image Server(s).

### **Scope of Work**

Digimarc's scope of work to implement an enhanced driver license in Michigan includes the following:

1. Develop a specification for the EDL card design, EDL "flag" in the print stream and data exchange interfaces for print file and RFID number.
2. Design the EDL card.
3. Develop card print layout software.
4. Develop, test, and integrate software to convert the current print file format to a format to be received and processed on the Lacey, WA EDL card production system.
5. Test, install, and support a new card production server for Michigan EDL in the Digimarc Lacey, WA factory.
6. Provide report and audit procedures to meet DHS and current DOS requirements.

### **Michigan EDL Data Flow**



### **EDL Solution Pricing:**

Enhanced Driver License pricing is offered in two categories. 1) One time charge for card design and system development and implementation; and 2) per card cost to manufacture.

- 1) One-time fee for delivery of EDL system: \$350,000
- 2) Per card pricing: \$4.50 each

Optional price for mailing directly to citizens including envelope and carrier = \$0.15 per card. This price excludes US Postage.

### **Summary**

To summarize, the benefits that Michigan would gain by selecting Digimarc as its EDL production partner include:

- The only experienced provider of EDL cards with the
  - Ability to implement EDL in a tight time-frame; and
  - Ability to seamlessly integrate Digimarc central issue production with Michigan's existing environment and processes.
- More robust credential
  - More security in the card; and
  - A long life span for the card .
- The absolute lowest risk solution option.
  - Utilize existing processes to accommodate for EDL inventory and production
- Cost effective implementing
  - Minimal upfront cost
  - On-going costs for only cards issued.

Customers have counted on Digimarc for over 50 years to be their chosen provider for secure driver license issuance solutions. We have partnered with our customers through every major transition in driver license and ID issuance and will continue to ensure we deliver best value solutions that comply

with changing regulations and meet the needs of our customers now and into the future. By working together to implement EDL credentials in your issuance process, we can help DOS achieve the goal for fast and secure boarder crossing.

Digimarc would welcome the opportunity to bring yourself and others out to the State of Washington to coordinate a visit to one of the State of Washington EDL offices, as well as to tour our Lacey, Washington factory and view the EDL production process and meet our team.

Again, thank you for your consideration. If you have any questions or concerns, please do not hesitate to contact me. I look forward to hearing from you soon, and to the opportunity of working together on this exciting initiative.

Sincerely,

A handwritten signature in black ink that reads "Dino Redmond". The signature is written in a cursive style with a large, stylized "D" and "R".

Dino Redmond  
Regional Director, Midwest  
Digimarc Corporation  
63 Third Avenue  
Burlington, MA 01803  
Phone: 260-471-5320  
DRedmond@digimarc.com  
[www.digimarc.com](http://www.digimarc.com)

STATE OF MICHIGAN  
 DEPARTMENT OF MANAGEMENT AND BUDGET  
 PURCHASING OPERATIONS  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

January 16, 2008

**CHANGE NOTICE NO. 4**  
**TO**  
**CONTRACT NO. 071B6200307**  
 (Supercedes Contract #071B2001444)  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Digimarc Corporation</b> <b>9405 SW Gemini Drive</b> <b>Beaverton, OR 97008</b>  <a href="mailto:dredmond@digimarc.com">dredmond@digimarc.com</a>	TELEPHONE (800) 627-3899 Ext. 7480 <b>Dino Redmond</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 373-0301 <b>Sue Cieciva</b>
Contract Administrator: <b>Digital Imaging-Based Driver License System – DOS</b>	
CONTRACT PERIOD: From: <b>April 1, 2006</b> To: <b>December 31, 2009</b>	
TERMS <b>Net 30 Days</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>F.O.B. Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**NATURE OF CHANGE(S):**

Effective immediately, this Contract is hereby **EXTENDED** one year to December 31, 2009.

Effective immediately, this Contract is hereby **INCREASED** by \$5,060,000.00.

In addition, Article I-S Cancellation, paragraph 2 is hereby changed to read as follows:  
 (replace "30" with "90" days)

The State may cancel the Contract in the event the State no longer needs the services or products specified in the Contract, or in the event program changes, changes in laws, rules or regulations, relocation of offices occur, or the State determines that statewide implementation of the Contract is not feasible, or if prices for additional services requested by the State are not acceptable to the State. The State may cancel the Contract without further liability to the State,

its departments, divisions, agencies, sections, commissions, officers, agents and employees by giving the Contractor written notice of such cancellation 90 days prior to the date of cancellation.

The attached Digimarc quotation no. FQ20070824M103 dated December 17, 2007 (4 pgs.) is hereby accepted and incorporated into this Contract.

**The vendor contact is hereby CHANGED to:**

Dino Redmond, Director Accounts – Midwest  
Email: [dredmond@digimarc.com](mailto:dredmond@digimarc.com)  
Phone: 800) 627-3899 ext. 7480  
Fax: (260) 496-7480

**The buyer is hereby CHANGED to:**

Sue Ciecwiwa, Buyer Specialist  
Email: [CiecwiwaS@michigan.gov](mailto:CiecwiwaS@michigan.gov)  
Phone: (517) 373-0301  
Fax: (517) 335-0046

All other terms, conditions, specifications, and pricing remain unchanged.

**AUTHORITY/REASON:**

Per agency request dated October 29, 2007, DMB/Purchasing Operations request by letter dated November 20, 2007, vendor acceptance by letter dated November 29, 2007 and State Administrative Board approval on January 15, 2008.

**INCREASE: \$5,060,000.00**

**TOTAL REVISED ESTIMATED CONTRACT VALUE: \$10,030,139.48**



**STATEMENT OF WORK:**

**1. Development and Testing at Digimarc**

Digimarc will develop the software to perform the system functionality changes. The Digimarc QA group will test the system prior to implementation.

**Acceptance:** Upon transfer of all legacy images and validation that daily updates are occurring, MDOS will inform Digimarc in writing that the modified system meets the requirements.

**ASSUMPTIONS:**

- The schedule to begin transferring legacy files and daily files will be mutually agreed to between MDOS and Digimarc.
- MDOS will make available to Digimarc a server with sufficient storage capacity.
- All legacy and new captured image files will be sent to the DOS. Portrait, Signature and demo data will be extracted out into separate files. Naming convention will use the DL # and image type.

**PAYMENT TERMS:**

In consideration of the goods and services provided to MI hereunder by Digimarc, MI shall pay Digimarc a one-time payment equal to the total price quoted below. Payment from MI will be made upon Digimarc's completion and testing of the software solution.

This quotation contains confidential information of Digimarc and to the maximum extent permitted under law, it should be deemed exempt from public disclosure.

Digimarc is pleased to provide you with this **quotation**. Prices specified in this quotation shall remain fixed for a period of 60 days from the date of this quotation. Prices quoted herein are based upon the information that has been provided to Digimarc by MI. If any of this information changes or is incorrect, Digimarc reserves the right to make such adjustments to the prices in this quotation as Digimarc deems appropriate in its sole discretion.

As an existing customer, the terms of this quotation are in accordance with the existing agreement in place between Digimarc and MI.

Please feel free to contact me with any questions or concerns you may have.

Sincerely,

A handwritten signature in black ink that reads "Dino Redmond". The signature is written in a cursive style.

Dino Redmond  
Account Director  
Digimarc Corporation  
63 Third Avenue  
Burlington, MA 01803  
Phone: 260-471-5320  
DRedmond@digimarc.com  
[www.digimarc.com](http://www.digimarc.com)



63 Third Ave., Burlington, MA 01803 USA  
 T. +1 781.744.6400 F. +1 781.744.6741 www.digimarc.com

**QUOTATION**

Date: December 17, 2007  
 Quote No: FQ20070824MI03  
 Valid Through: 60 days from date above  
 Payment Terms: One-time payment due upon completion and delivery of solution  
 Delivery: Delivery of services to completed approximately 10 weeks after receipt of Purchase Order

**To:**  
 Mr. Ron Vrancheff  
 Customer Services Administrator  
 State of Michigan  
 7064 Crowner Drive  
 Lansing, Michigan 48918

**From:**  
 Dino Redmond  
 Account Director  
 Digimarc Corporation  
 63 Third Avenue  
 Burlington, MA USA 01803

Description of Goods and/or Services as per Quote Letter	Total Price
<b>Item 1</b>	
Copy and transfer all existing files from the Primary Image Server (in Ft. Wayne) and provide a daily upload transfer process for newly captured images to a MDOS Server at the Datacenter in Lansing.	\$ 39,750.00
Maintenance and support continuous thru to expiration of Digital Driver License System contract 071B6200307.	<u>\$2,000.00</u>
<i>Total</i>	<u>\$41,750.00</u>

**NOTE:** This is a firm fixed quotation for goods and services.

**In consideration of the goods and services provided to the MI hereunder by Digimarc, MI shall pay Digimarc a one-time payment equal to the price quoted above, upon Digimarc's completion and delivery of the solution specified in this quotation.**

STATE OF MICHIGAN  
 DEPARTMENT OF MANAGEMENT AND BUDGET  
 PURCHASING OPERATIONS  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

April 24, 2007

**CHANGE NOTICE NO. 3**  
**TO**  
**CONTRACT NO. 071B6200307**  
 (Supercedes Contract #071B2001444)  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Digimarc Corporation</b> <b>9405 SW Gemini Drive</b> <b>Beaverton, OR 97008</b>  <a href="mailto:mbocci@digimarc.com">mbocci@digimarc.com</a>	TELEPHONE 503-469-4840 <b>Marc Bocci</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 373-1080 <b>Melissa Castro</b>
Contract Administrator: <b>Digital Imaging-Based Driver License System – DOS</b>	
CONTRACT PERIOD: From: <b>April 1, 2006</b> To: <b>December 31, 2008</b>	
TERMS <b>Net 30 Days</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>F.O.B. Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**NATURE OF CHANGE(S):**

The attached price proposal and Statement of Work are hereby accepted and incorporated into this Contract. All other terms, conditions, specifications, and pricing remain the same.

**AUTHORITY/REASON:**

Per DMB/Purchasing Operations

**TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$4,970,139.48**

**REFERENCE: Quotation Request Dated May 17, 2006**

**Digimarc Quotation Reference Number: FQ20060517MI01A**

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Digimarc ("Digimarc") is pleased to provide the MI-DOS Department of State, (MI-DOS) with this firm fixed quotation in response to your request dated May 17, 2006. A description of the goods and/or services you have requested, plus our assumptions, is provided below.

**DESCRIPTION OF GOODS AND SERVICES:**

The Department of State has requested that Digimarc propose a solution for the current Digimarc system to interface into the new BAM system and support the new workflow. Working in concert with the Michigan Department of State (MI-DOS) and EDS (contracted systems integrator on BAM) Digimarc has architected a solution that will satisfy requirements as defined by the MI-DOS. The solution will require re-engineering the existing Digimarc solution, modifying and adding functionality to support this initiative.

BAM (Business Applications Modernization) is a multiphase initiative by MI-DOS to reengineer motor vehicle services with a customer focus record. The first phase is focused on driver issuance and scheduled to launch Fall of 2007. The new workflow (part of BAM design) will require a "photo everywhere" (applicant portrait that follows the applicant through the workflow), also "photo first" (capture of portrait and signature at the front end of workflow) and signature capture and/or comparison at multiple points in the workflow.

Digimarc will start work on this solution within six weeks of acceptance of this quotation and deliver stated solution specified herein in approximately 10 weeks from start. Such written approval shall be in the form of a letter, fax or e-mail that acknowledges MI-DOS's acceptance of the quotation, indicating the entire amount in this quotation.

The stated performance period is conditioned upon Digimarc receiving timely written approval of the various phases of the Statement of Work (delineated below), and an implementation schedule (upon final acceptance) which shall be designated by the MI-DOS.

**High Level Requirements for MI-DOS Department of State (MDOS) "photo everywhere" Workflow. (Detail listed in Digimarc System Interfaces to MI-DOS BAM document June 12, 2006)**

- Signatures will be taken at the Digimarc workstation and at BAM.
- MDOS will store new photos and signature taken at BAM workstation on BAM, as well as signature taken at Digimarc workstation. Digimarc will store existing photo, new photo, and signature taken at Digimarc workstation.
- The ability to retrieve the any image (signatures and photos, new and existing) at the BAM workstation will take no longer than 2 seconds.
  - The most recent existing photo stored on the image server will be available at the BAM workstation.
  - All photos on file for an applicant will be available for internal staff to review as currently exist.
  - Images can be viewed at any workstation (BAM or Digimarc) for renewals, duplicates where existing record is found, and for correction applications
- The MSP interface must be able to provide the same service with little to no modification and no changes in service levels.
- The process for sending the data for card production will be modified to:
  - Data will come from BAM, not legacy

- Card production data will remain batched
- Card production data will be sent 12-18 hours earlier than existing process.
- The card layout has no changes.
- The contract does not change any existing requirements related to timeframes for producing cards.
- Timeframes will need to be adhered to for testing changes to BAM.
- The data collected originally captured at the Digimarc workstation may change and have to be updated after the person goes to the BAM workstation. (i.e., person changes name but signs previous name at Digimarc workstation and gets to BAM workstation and realizes problem).
- Photo will be taken at beginning of application process, prior to the collection of detailed application information
- BAM will be required to submit demographics, photo and signature to Digimarc for card production using a batch process.

#### **Assumptions**

- There are no licensing costs associated with the use of IBM Websphere MQ for Digimarc Capture System workstation.
- MI-DOS is responsible for IBM MQ messaging infrastructure:
  - Setup and configuration of queue hosting environment
  - Support during solution development and testing efforts
  - Operational support and management of infrastructure after implementation
- Digimarc Operations will be responsible for supporting MQ messaging infrastructure local to the Digimarc workstation.
- BAM will return images and demographics with originally assigned (by Digimarc Capture) transaction number via the messaging infrastructure.
- Signatures captured at BAM workstation used as substitutes for Digimarc captured signature will conform to Digimarc standards as required by Digimarc card production operations.
- No Hardware to be installed.

#### **Statement of Work**

##### **1. Requirements Definition and Signoff**

Digimarc and the MI-DOS will develop the requirements and testing criteria document. This document will be used as basis for the system modifications required for this solution

**Duration:** Approximately two weeks starting upon MI-DOS acceptance of this Quote evidenced by Digimarc's receipt of a corresponding purchase order. This includes one week for finalizing the requirements and test criteria and five days for MI-DOS to sign off / accept of such criteria.

**Acceptance:** Digimarc will create the requirements and test criteria document as specified above, which will be reviewed with the MI-DOS for accuracy. MI-DOS will sign off of the requirements and test criteria document within two days. Should Digimarc not receive such written acceptance in this timeframe, the requirements document shall be deemed accepted.

**Payment Term:** (Only if not paid on acceptance of quote) 1/3 of the total development price is payable to Digimarc (\$80,181.00) at MI-DOS's sign off of the requirements and test criteria document.

## **2. Development and Testing at Digimarc (Provided for informational purposes only)**

Once requirements documentation has been deemed approved by MI-DOS, Digimarc will create the system changes on a test workstation. Once developed, the code will be Unit Tested. A CD image of the modified system will be created by Configuration Management and given to Digimarc's QA staff for testing. The QA group will test the system and advise the developer of any defects. The developer will correct the defects and resubmit to QA.

**Duration:** Approximately eight weeks (6 weeks code, 2 weeks QA) from signoff of requirements and test criteria document.

**Acceptance:** Internal to Digimarc. The QA department will determine when the modified system will be released for User Acceptance Testing (UAT). The program manager will schedule the UAT in State with the technical lead, QA, and the MI-DOS, as applicable.

## **3. UAT**

UAT environment will be set up in the MI-DOS test lab in Lansing by MI-DOS with Digimarc's assistance. The MI-DOS will test the modified system and verify its function to conform to the requirements and test criteria (SOW step 1). Digimarc staff will be in available in Lansing to assist during UAT, if MI-DOS and Digimarc have so agreed.

**Duration:** Approximately one week, with three additional days of preparation.

**Acceptance:** Upon completion of UAT, the MI-DOS will inform Digimarc in writing that the modified system meets the requirements test criteria (step 1).

**Payment Term:** (Only if not paid on acceptance of quote) 1/3 of the total development price is payable to Digimarc (\$80,181.00) at MI-DOS's sign off of the UAT.

## **4. Pilot Phase**

The Customer will select one pilot site to roll out the modified system. The site will have the code installed on all the image capture workstations in that office by Digimarc or the MI-DOS using the configuration CD. Instructions on operation of the modified system will be created by Digimarc Technical Writer and given to the MI-DOS's pilot office staff. After one week of pilot, and upon MI-DOS acceptance, Digimarc will send the modified system CD to the MI-DOS for inclusion in the system library for production release (when applicable).

**Duration:** The pilot phase will take place for approximately one week from the UAT acceptance (SOW step 3), provided that MI-DOS grants Digimarc reasonable access to the site and provides Digimarc

Description of Goods and/or Services as per Quote Letter	Total Price
<p>BAM Everywhere – Digimarc development (due in full at time of quotation acceptance)  MI-DOS Branch Office Rollout – Pilot, training, software, Installation, Support and Maintenance through December 2008.</p> <p><b>Payment Schedule:</b>  1/3% due after “Requirements definition and Sign off” (step 1 of SOW) <b>\$80,181.00</b>  1/3% due after “User acceptance Testing” (step 3 of SOW) <b>\$80,181.00</b>  1/3% due after “Pilot Phase” (step 4 of SOW) <b>\$80,181.00</b></p>	<p>\$240,543.00</p>

**NOTE:** This is a firm fixed quotation for goods and services.

**Payment Terms:**

**Development of this solution will be paid either up front at the time of acceptance of this quotation or spread over 3 payments of 1/3 each, first payment of \$80,181.00 due at the completion of Step 1 in the Statement of Work, second payment of \$80,181.00 due at the completion of Step 3 and the final payment of \$80,181.00 due at the completion of Pilot Phase, Step 4.**

STATE OF MICHIGAN  
DEPARTMENT OF MANAGEMENT AND BUDGET  
PURCHASING OPERATIONS  
P.O. BOX 30026, LANSING, MI 48909  
OR  
530 W. ALLEGAN, LANSING, MI 48933

December 12, 2006

**CHANGE NOTICE NO. 2**  
**TO**  
**CONTRACT NO. 071B6200307**  
(Supercedes Contract #071B2001444)  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Digimarc Corporation</b> <b>9405 SW Gemini Drive</b> <b>Beaverton, OR 97008</b>  <a href="mailto:mbocci@digimarc.com">mbocci@digimarc.com</a>	TELEPHONE 503-469-4840 <b>Marc Bocci</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 373-1080 <b>Melissa Castro</b>
Contract Administrator: <b>Digital Imaging-Based Driver License System – DOS</b>	
CONTRACT PERIOD: From: <b>April 1, 2006</b> To: <b>December 31, 2008</b>	
TERMS <b>Net 30 Days</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>F.O.B. Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**NATURE OF CHANGE(S):**

Effective August 8, 2006, the attached pricing and Statement of Work are incorporated into this Contract.

**AUTHORITY/REASON:**

Per DMB/Purchasing Operations

**TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$4,970,139.48**



STATE OF MICHIGAN  
DEPARTMENT OF MANAGEMENT AND BUDGET  
PURCHASING OPERATIONS  
P.O. BOX 30026, LANSING, MI 48909  
OR  
530 W. ALLEGAN, LANSING, MI 48933

September 22, 2006

CHANGE NOTICE NO. 1 (REVISED\*\*)  
TO

CONTRACT NO. 071B6200307  
(Supercedes Contract #071B2001444)

between  
THE STATE OF MICHIGAN  
and

NAME & ADDRESS OF VENDOR  <b>Digimarc Corporation</b> <b>9405 SW Gemini Drive</b> <b>Beaverton, OR 97008</b>  <a href="mailto:mbocci@digimarc.com">mbocci@digimarc.com</a>	TELEPHONE 503-469-4840 <b>Marc Bocci</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 373-1080 <b>Melissa Castro</b>
Contract Administrator: <b>Digital Imaging-Based Driver License System – DOS</b>	
CONTRACT PERIOD: From: <b>April 1, 2006</b> To: <b>December 31, 2008</b>	
TERMS <b>Net 30 Days</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>F.O.B. Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

The attached Statement of Work\*\* (dated 5/1/06) and Quotation\*\* (dated 6/2/06) are hereby incorporated into this contract.

# **DIGIMARC**

## **Michigan Motor Vehicles** Motor Voter Extraction

### **Statement of Work**

**May 1, 2006**

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## 1. Objective

To fully describe the **Voter Registration Signature Transfer**, system requirements and effort required to implement.

## 2. Overview

The Michigan Motor Vehicles Division must supply identification information to the Michigan Department of State for the purpose of verifying voters' identities. Digimarc will assist by extracting flagged Motor Voter records on a nightly basis and delivering them electronically to the state.

## 3. Requirements

- QVF would cause the QVF Windows Services Host to save a file of requested signatures in a shared folder on the SANS.
- The file would be a text delimited file of a format agreed upon by Digimarc and the QVF programmer (Ken Borsare).
- At a minimum the file would contain the DLN for the requested signature.
- The Digimarc Windows Services Host would have access the QVF request file and pass the request to Digimarc.
- Digimarc would return a file containing the DLN, the signature and an error code as needed.
- The error codes used will be determined and agreed upon by MDOS Bureau of Elections, Digimarc and the QVF Programmer (Ken Borsare).
- The QVF Windows Services Host will have access to the Digimarc returned file and will provide the file to QVF.
- At an undetermined point the ".jpg" signature file that is provided by Digimarc will be changed to a ".tif" file for use in the QVF. This change will be handled by either the QVF Windows Service Host or the QVF.
- QVF will update the voter record with the signature.
- *Not shown in this pro*

## 4. Process Flow

At the end of each day the state conducts business, an application will:

1. QVF would cause the QVF Windows Services Host to save a file of requested signatures in a shared folder on the SANS. This file would be the aforementioned text delimited file containing at a minimum the DLNs for the requested signatures.
2. The Digimarc Windows Services Host would have access the QVF request file and pass the request to Digimarc.
3. Digimarc would then process this file by retrieving the latest signature for each of the DLNs included in the supplied text file.
4. Digimarc would return a file containing the DLN, the signature and an error code as needed. The proposed format for this would be a zip file containing signature files that are named with the DLN (e.g. DLN.jpg) and a single text error file containing information for any error records.
5. The QVF Windows Services Host will have access to the Digimarc returned file and will provide the file to QVF.
6. QVF will update the voter record with the signature, and/ or perform any image format conversions such as JPEG to TIFF.

## **5. System Modifications**

### **5.1 Motor Voter Extractor (New application)**

This application will reside on the Windows server and accomplish the entire process described above. The application will query the database on the central image server via a JDBC connection and access the applicant record files through a mapped drive (samba share).

The application will be started through the Windows scheduler after close of business. The application will require no user input, but will be configurable through the use of a configuration file. No required maintenance is foreseen. The following will be logged each time the application is run:

- a. Start time
- b. Stop time
- c. Number of records extracted
- d. Any errors or failures

If the CIS server is unavailable or the network is down, or the connection otherwise fails, the application will continue to try sends every 30 minutes until successful.

### **5.2 Development & Implementation Steps for Motor Voter Extractor**

- 1) Technical meetings to agree on file format specifics
- 2) Create Documentation
- 3) Begin application development
- 4) In house testing with internal data
- 5) In house testing with customer supplied data (request files)
- 6) Provide output file to Customer for Customer testing
- 7) Onsite testing
- 8) Go live / Process monitoring

Appendix A: Test Plan

**5.3 Positive Tests**

**5.3.1 Extraction**

**Steps:** Process new Motor Voter records simulating peak levels of production.

**Expected Result:** Normal processing, zip file successful created.

**5.4 Negative Tests**

**5.4.1 Network Connection/CIS server down.**

**Steps:** Disconnect machine with the Extractor application from the network.

**Expected Result:** Resends are tried every 30 minutes until the connection is successful. Each failure is logged with the date and time.

**5.4.2 Simulate Data Error Conditions.**

**Steps:** Perform extractions in situations such as:

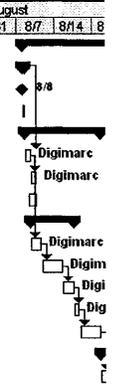
- DLN record does not exist
- Image File not found
- Corrupt Signature image

**Expected Result:** Generates the agreed upon error code in each case.

## 6. Appendix B: Schedule

See accompanying document MI Motor Voter Project Schedule.mpp.

VBBS	Task Name	Duration	Start	Finish	% Comp	Resource Names	Pred	August
1	1 MI Motor Voter Project	15.5 days	Mon 8/8/05	Mon 8/29/05	0%			7/31   8/7   8/14   8
2	1.1 Requirements	0.5 days	Mon 8/8/05	Mon 8/8/05	0%			
3	1.1.1 Statement of Work approved	0 days	Mon 8/8/05	Mon 8/8/05	0%	MI		
4	1.1.2 Identify Development & QA systems	0.5 days	Mon 8/8/05	Mon 8/8/05	0%			
5	1.2 Development	10 days	Mon 8/8/05	Mon 8/22/05	0%			
6	1.2.1 Analysis/Design	1 day	Mon 8/8/05	Tue 8/8/05	0%	Digimarc 2		
7	1.2.2 Create Test Procedure Document	1 day	Tue 8/9/05	Wed 8/10/05	0%	Digimarc 6		
8	1.2.3 Create Application Documentation	1.5 days	Tue 8/9/05	Wed 8/10/05	0%			
9	1.2.4 Coding	6 days	Tue 8/9/05	Wed 8/17/05	0%			
10	1.2.4.1 Database connection/query	2 days	Tue 8/9/05	Thu 8/11/05	0%	Digimarc 6		
11	1.2.4.2 POFF extraction and zip	2 days	Thu 8/11/05	Mon 8/15/05	0%	Digimarc 10		
12	1.2.4.3 Error Handling and logging	2 days	Mon 8/15/05	Wed 8/17/05	0%	Digimarc 11		
13	1.2.5 CM Build	1 day	Wed 8/17/05	Thu 8/18/05	0%	Digimarc 12		
14	1.2.6 QA Testing	2 days	Thu 8/18/05	Mon 8/22/05	0%	Digimarc 13		
15	1.3 Implementation Phase	5 days	Mon 8/22/05	Mon 8/29/05	0%			
16	1.3.1 User Acceptance Testing (UAT)	5 days	Mon 8/22/05	Mon 8/29/05	0%	MI,Digimarc 14		
17	1.3.2 System Live	0 days	Mon 8/29/05	Mon 8/29/05	0%	MI,Digimarc 16		
18	1.3.3 Customer Acceptance and Signoff	0 days	Mon 8/29/05	Mon 8/29/05	0%	MI 16		





63 Third Ave., Burlington, MA 01803 USA  
T. +1 781.744.6400 F. +1 781.744.6741 www.digimarc.com

June 2, 2006

Mr. Ron Vrancheff  
Customer Services Administrator  
Michigan Department of State  
7064 Crowner Drive  
Lansing, MI 48918

**REFERENCE: Quotation Request Dated May 17, 2006**  
**Digimarc Quotation Reference Number: FQ20060517MI02**

---

Dear Mr. Vrancheff:

Digimarc Corporation ("Digimarc") is pleased to provide the Michigan Department of State (MI-DOS) with this firm fixed price quotation in response to your request dated May 17, 2006. A description of the goods and/or services you have requested, plus our assumptions, is provided below.

**DESCRIPTION OF GOODS AND SERVICES:**

The Michigan Motor Vehicles Division must supply identification information to the Michigan Department of State for the purpose of verifying voters' identities. Digimarc will assist by extracting flagged Motor Voter records on a nightly basis and delivering them electronically to the state.

Digimarc will start work on this solution within 4 weeks of acceptance of this quotation and deliver the solution in 8 weeks from start. MI-DOS' acceptance of this quotation may be in the form of a letter, fax, e-mail and/or a purchase order that acknowledges Customer's acceptance of the quotation, including the quoted price.

The stated performance period is conditioned upon Digimarc receiving timely written approval of the various phases of the Statement of Work (delineated below), and an implementation schedule (upon final acceptance) which shall be designated by the MI-DOS.

**STATEMENT OF WORK:**

**1. Requirements Definition and Signoff**

Digimarc and the MI-DOS will develop the requirements and testing criteria document. This document will be used for the system modifications required for this solution

**Duration:** Approximately two weeks starting upon MI-DOS's acceptance of this quotation evidenced by the above stated acceptance criteria. This includes 1 week for finalizing the requirements and test criteria and 2 days for MI-DOS to sign off/accept of such criteria.

**Acceptance:** Digimarc will create the requirements and test criteria document as specified above, which will be reviewed with the MI-DOS for accuracy. MI-DOS will sign off of the requirements and test criteria document within 2 days from receipt. The requirements document shall be deemed accepted unless Digimarc receives written notice of non-acceptance with specific reasons within two days of delivering the document to MI-DOS.

## **2. Development and Testing at Digimarc (Provided for informational purposes only)**

Digimarc will create the system changes on a test workstation. Once developed, the code will be Unit Tested. A CD image of the modified system will be created by Configuration Management and given to Digimarc's QA staff for testing. The QA group will test the system and advise the developer of any defects. The developer will correct the defects and resubmit to QA.

**Duration:** Approximately 5 weeks from signoff of requirements and test criteria document.

**Acceptance: Internal to Digimarc.** The QA department will determine when the modified system will be released for User Acceptance Testing (UAT). The program manager will schedule the UAT in Lansing, Michigan with the technical lead, QA, and the MI-DOS, as applicable.

## **3. UAT**

Within 5 days of Digimarc's completion of Step 2, UAT environment will be set up in the MI-DOS test lab in Lansing by MI-DOS with Digimarc's assistance, if requested. The MI-DOS will test the modified system and verify its function to conform to the requirements and test criteria (Step 1). Digimarc QA staff will be in available in Lansing, Michigan to assist during UAT, if MI-DOS and Digimarc have so agreed.

**Duration:** Approximately 1 week, with 2 additional days of preparation.

**Acceptance:** Upon completion of UAT, the MI-DOS will inform Digimarc in writing that the modified system meets the requirements test criteria (Step 1). The code shall be deemed accepted unless Digimarc receives written notice of non-acceptance with specific reasons within two days of notification that UAT has been completed. Digimarc will invoice MI-DOS upon acceptance for the full amount stated below.

## **6. Post Digimarc Implementation**

At the successful completion of the UAT phase, MI-DOS will create a schedule, copy to Digimarc and deploy the modified system changes to the remaining sites.

**Duration:** (To be determined by the MI-DOS, but estimated at 1 week)

**Acceptance:** Internal to MI-DOS.

**QUOTATION**

Date: June 2, 2006  
Quote No: FQ320060517MI02  
Valid Through: 60 days from date above  
Payment Terms: Upon Digimarc's completion and delivery of specified solution.  
Delivery: Delivery of goods and services to be completed eight weeks after receipt of Purchase Order

**To:**  
Mr. Ron Vrancheff  
Customer Service Administrator  
Michigan Department of State  
7064 Crowner Drive  
Lansing, MI 48918

**From:**  
Dino Redmond  
Business Development Manager  
Digimarc  
63 Third Avenue  
Burlington, MA USA 01803

Description of Goods and/or Services as per Quote Letter	Total Price
<i>Modify system software to enable system to supplyMotor voter identification information to the Michigan Department of State for the purpose of verifying voters' identities on a nightly basis and delivering them electronically to the state.</i>	\$69,857.00

**NOTE:** This is a firm fixed quotation for goods and services.

**Payment Terms:**

**In consideration of the goods and services provided to the MI-DOS hereunder by Digimarc, MI-DOS shall pay Digimarc a one-time payment equal to the price quoted above, upon Digimarc's completion and delivery of the solution specified in this quotation.**

STATE OF MICHIGAN  
DEPARTMENT OF MANAGEMENT AND BUDGET  
PURCHASING OPERATIONS  
P.O. BOX 30026, LANSING, MI 48909  
OR  
530 W. ALLEGAN, LANSING, MI 48933

July 10, 2006

CHANGE NOTICE NO. 1  
TO  
CONTRACT NO. 071B6200307  
(Supercedes Contract #071B2001444)  
between  
THE STATE OF MICHIGAN  
and

NAME & ADDRESS OF VENDOR  <b>Digimarc Corporation</b> <b>9405 SW Gemini Drive</b> <b>Beaverton, OR 97008</b>  <a href="mailto:mbocci@digimarc.com">mbocci@digimarc.com</a>	TELEPHONE 503-469-4840 <b>Marc Bocci</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 373-1080 <b>Melissa Castro</b>
Contract Administrator: Judith Overbeek <b>Digital Imaging-Based Driver License System – DOS</b>	
CONTRACT PERIOD: From: <b>April 1, 2006</b> To: <b>December 31, 2008</b>	
TERMS <b>Net 30 Days</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>F.O.B. Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

The attached Statement of Work (dated 5/1/06) and Quotation (dated 6/2/06) are hereby incorporated into this contract.

# **DIGIMARC**

## **Michigan Motor Vehicles**

Motor Voter Extraction

## **Statement of Work**

**May 1, 2006**

**For Review**

### **DISCLAIMER**

This document contains confidential and/or proprietary information of Digimarc. In no event shall Digimarc, its subsidiaries or employees be held liable for incidental or consequential damages in connection with or arising from the use of this document or any of the information herein described.

### **PROPRIETARY INFORMATION NOTICE**

THIS DOCUMENT CONTAINS TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION WHICH ARE THE VALUABLE PROPERTY OF DIGIMARC. IT IS PROVIDED IN CONFIDENCE FOR THE SOLE PURPOSE OF FACILITATING THE TECHNICAL EVALUATION AND/OR USE OF THE RELATED SOFTWARE. NEITHER THIS DOCUMENT NOR ITS CONTENTS MAY BE DISCLOSED TO UNAUTHORIZED PERSONS OR COPIED OR REVEALED OR USED IN WHOLE OR IN PART FOR ANY OTHER PURPOSE WITHOUT THE PRIOR WRITTEN CONSENT OF DIGIMARC ID SYSTEMS.

### **Document Change History**

Date	Rev	Who	Description
5/01/2006	0.1	TFJ	Initial Draft

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<b>4.</b>	<b>PROCESS FLOW .....</b>	<b>1</b>
<b>5.</b>	<b>SYSTEM MODIFICATIONS.....</b>	<b>2</b>
5.1	MOTOR VOTER EXTRACTOR (NEW APPLICATION) .....	2
5.2	DEVELOPMENT & IMPLEMENTATION STEPS FOR MOTOR VOTER EXTRACTOR .....	2
5.3	POSITIVE TESTS.....	3
5.3.1	EXTRACTION.....	3
5.4	NEGATIVE TESTS.....	3
5.4.1	NETWORK CONNECTION/CIS SERVER DOWN. ....	3
5.4.2	SIMULATE DATA ERROR CONDITIONS. ....	3
<b>6.</b>	<b>APPENDIX B: SCHEDULE.....</b>	<b>4</b>

## 1. Objective

To fully describe the **Voter Registration Signature Transfer**, system requirements and effort required to implement.

## 2. Overview

The Michigan Motor Vehicles Division must supply identification information to the Michigan Department of State for the purpose of verifying voters' identities. Digimarc will assist by extracting flagged Motor Voter records on a nightly basis and delivering them electronically to the state.

## 3. Requirements

- QVF would cause the QVF Windows Services Host to save a file of requested signatures in a shared folder on the SANS.
- The file would be a text delimited file of a format agreed upon by Digimarc and the QVF programmer (Ken Borsare).
- At a minimum the file would contain the DLN for the requested signature.
- The Digimarc Windows Services Host would have access the QVF request file and pass the request to Digimarc.
- Digimarc would return a file containing the DLN, the signature and an error code as needed.
- The error codes used will be determined and agreed upon by MDOS Bureau of Elections, Digimarc and the QVF Programmer (Ken Borsare).
- The QVF Windows Services Host will have access to the Digimarc returned file and will provide the file to QVF.
- At an undetermined point the ".jpg" signature file that is provided by Digimarc will be changed to a ".tif" file for use in the QVF. This change will be handled by either the QVF Windows Service Host or the QVF.
- QVF will update the voter record with the signature.
- *Not shown in this pro*

## 4. Process Flow

At the end of each day the state conducts business, an application will:

1. QVF would cause the QVF Windows Services Host to save a file of requested signatures in a shared folder on the SANS. This file would be the aforementioned text delimited file containing at a minimum the DLNs for the requested signatures.
2. The Digimarc Windows Services Host would have access the QVF request file and pass the request to Digimarc.
3. Digimarc would then process this file by retrieving the latest signature for each of the DLNs included in the supplied text file.
4. Digimarc would return a file containing the DLN, the signature and an error code as needed. The proposed format for this would be a zip file containing signature files that are named with the DLN (e.g. DLN.jpg) and a single test error file containing information for any error records.
5. The QVF Windows Services Host will have access to the Digimarc returned file and will provide the file to QVF.
6. QVF will update the voter record with the signature, and/ or perform any image format conversions such as JPEG to TIFF.

## **5. System Modifications**

### **5.1 Motor Voter Extractor (New application)**

This application will reside on the Windows server and accomplish the entire process described above. The application will query the database on the central image server via a JDBC connection and access the applicant record files through a mapped drive (samba share).

The application will be started through the Windows scheduler after close of business. The application will require no user input, but will be configurable through the use of a configuration file. No required maintenance is foreseen. The following will be logged each time the application is run:

- a. Start time
- b. Stop time
- c. Number of records extracted
- d. Any errors or failures

If the CIS server is unavailable or the network is down, or the connection otherwise fails, the application will continue to try sends every 30 minutes until successful.

### **5.2 Development & Implementation Steps for Motor Voter Extractor**

- 1) Technical meetings to agree on file format specifics
- 2) Create Documentation
- 3) Begin application development
- 4) In house testing with internal data
- 5) In house testing with customer supplied data (request files)
- 6) Provide output file to Customer for Customer testing
- 7) Onsite testing
- 8) Go live / Process monitoring

Draft Statement of Work

Appendix A: Test Plan

### **5.3 Positive Tests**

#### **5.3.1 Extraction**

**Steps:** Process new Motor Voter records simulating peak levels of production.

**Expected Result:** Normal processing, zip file successful created.

### **5.4 Negative Tests**

#### **5.4.1 Network Connection/CIS server down.**

**Steps:** Disconnect machine with the Extractor application from the network.

**Expected Result:** Resends are tried every 30 minutes until the connection is successful. Each failure is logged with the date and time.

#### **5.4.2 Simulate Data Error Conditions.**

**Steps:** Perform extractions in situations such as:

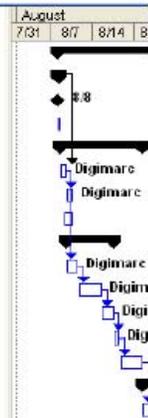
- DLN record does not exist
- Image File not found
- Corrupt Signature image

**Expected Result:** Generates the agreed upon error code in each case.

## 6. Appendix B: Schedule

See accompanying document MI Motor Voter Project Schedule.mpp.

WBS	Task Name	Duration	Start	Finish	% Comp	Resource	Pred
1	<b>MI Motor Voter Project</b>	15.5 days	Mon 8/3/05	Mon 8/29/05	0%		
2	<b>1.1 Requirements</b>	0.5 days	Mon 8/3/05	Mon 8/3/05	0%		
3	1.1.1 Statement of Work approved	0 days	Mon 8/3/05	Mon 8/3/05	0%	M	
4	1.1.2 Identify Development & QA systems	0.5 days	Mon 8/3/05	Mon 8/3/05	0%		
5	<b>1.2 Development</b>	10 days	Mon 8/3/05	Mon 8/22/05	0%		
6	1.2.1 Analysis/Design	1 day	Mon 8/3/05	Tue 8/9/05	0%	Dgimarc 2	
7	1.2.2 Create Test Procedure Document	1 day	Tue 8/9/05	Wed 8/10/05	0%	Dgimarc 6	
8	1.2.3 Create Application Documentation	1.5 days	Tue 8/9/05	Wed 8/10/05	0%		
9	<b>1.2.4 Coding</b>	6 days	Tue 8/9/05	Wed 8/17/05	0%		
10	1.2.4.1 Database connection/query	2 days	Tue 8/9/05	Thu 8/11/05	0%	Dgimarc 6	
11	1.2.4.2 POFF extraction and zip	2 days	Thu 8/11/05	Mon 8/15/05	0%	Dgimarc 10	
12	1.2.4.3 Error Handling and logging	2 days	Mon 8/15/05	Wed 8/17/05	0%	Dgimarc 11	
13	1.2.5 QM Build	1 day	Wed 8/17/05	Thu 8/18/05	0%	Dgimarc 12	
14	1.2.6 QA Testing	2 days	Thu 8/18/05	Mon 8/22/05	0%	Dgimarc 13	
15	<b>1.3 Implementation Phase</b>	5 days	Mon 8/22/05	Mon 8/29/05	0%		
16	1.3.1 User Acceptance Testing (UAT)	5 days	Mon 8/22/05	Mon 8/29/05	0%	MI,Dgimarc	14
17	1.3.2 System Live	0 days	Mon 8/29/05	Mon 8/29/05	0%	MI,Dgimarc	16
18	1.3.3 Customer Acceptance and Signoff	0 days	Mon 8/29/05	Mon 8/29/05	0%	M	16





63 Third Ave., Burlington, MA 01803 USA  
T. +1 781.744.6400 F. +1 781.744.6741 www.digimarc.com

June 2, 2006

Mr. Ron Vrancheff  
Customer Services Administrator  
Michigan Department of State  
7064 Crowner Drive  
Lansing, MI 48918

**REFERENCE:                    Quotation Request Dated May 17, 2006**  
**Digimarc Quotation Reference Number: FQ20060517MI02**

---

Dear Mr. Vrancheff:

Digimarc Corporation ("Digimarc") is pleased to provide the Michigan Department of State (MI-DOS) with this firm fixed price quotation in response to your request dated May 17, 2006. A description of the goods and/or services you have requested, plus our assumptions, is provided below.

**DESCRIPTION OF GOODS AND SERVICES:**

The Michigan Motor Vehicles Division must supply identification information to the Michigan Department of State for the purpose of verifying voters' identities. Digimarc will assist by extracting flagged Motor Voter records on a nightly basis and delivering them electronically to the state.

Digimarc will start work on this solution within 4 weeks of acceptance of this quotation and deliver the solution in 8 weeks from start. MI-DOS' acceptance of this quotation may be in the form of a letter, fax, e-mail and/or a purchase order that acknowledges Customer's acceptance of the quotation, including the quoted price.

The stated performance period is conditioned upon Digimarc receiving timely written approval of the various phases of the Statement of Work (delineated below), and an implementation schedule (upon final acceptance) which shall be designated by the MI-DOS.

**STATEMENT OF WORK:**

**1. Requirements Definition and Signoff**

Digimarc and the MI-DOS will develop the requirements and testing criteria document. This document will be used for the system modifications required for this solution

**Duration:** Approximately two weeks starting upon MI-DOS's acceptance of this quotation evidenced by the above stated acceptance criteria. This includes 1 week for finalizing the requirements and test criteria and 2 days for MI-DOS to sign off/accept of such criteria.

**Acceptance:** Digimarc will create the requirements and test criteria document as specified above, which will be reviewed with the MI-DOS for accuracy. MI-DOS will sign off of the requirements and test criteria document within 2 days from receipt. The requirements document shall be deemed accepted unless Digimarc receives written notice of non-acceptance with specific reasons within two days of delivering the document to MI-DOS.

## **2. Development and Testing at Digimarc (Provided for informational purposes only)**

Digimarc will create the system changes on a test workstation. Once developed, the code will be Unit Tested. A CD image of the modified system will be created by Configuration Management and given to Digimarc's QA staff for testing. The QA group will test the system and advise the developer of any defects. The developer will correct the defects and resubmit to QA.

**Duration:** Approximately 5 weeks from signoff of requirements and test criteria document.

**Acceptance: Internal to Digimarc.** The QA department will determine when the modified system will be released for User Acceptance Testing (UAT). The program manager will schedule the UAT in Lansing, Michigan with the technical lead, QA, and the MI-DOS, as applicable.

## **3. UAT**

Within 5 days of Digimarc's completion of Step 2, UAT environment will be set up in the MI-DOS test lab in Lansing by MI-DOS with Digimarc's assistance, if requested. The MI-DOS will test the modified system and verify its function to conform to the requirements and test criteria (Step 1). Digimarc QA staff will be in available in Lansing, Michigan to assist during UAT, if MI-DOS and Digimarc have so agreed.

**Duration:** Approximately 1 week, with 2 additional days of preparation.

**Acceptance:** Upon completion of UAT, the MI-DOS will inform Digimarc in writing that the modified system meets the requirements test criteria (Step 1). The code shall be deemed accepted unless Digimarc receives written notice of non-acceptance with specific reasons within two days of notification that UAT has been completed. Digimarc will invoice MI-DOS upon acceptance for the full amount stated below.

## **6. Post Digimarc Implementation**

At the successful completion of the UAT phase, MI-DOS will create a schedule, copy to Digimarc and deploy the modified system changes to the remaining sites.

**Duration:** (To be determined by the MI-DOS, but estimated at 1 week)

**Acceptance:** Internal to MI-DOS.

**PAYMENT TERMS:**

In consideration of the goods and services provided to the MI-DOS hereunder by Digimarc, MI-DOS shall pay Digimarc a one-time payment equal to the price quoted below, upon Digimarc's completion and delivery of the solution specified in this quotation.

This quotation is being submitted to MI-DOS on a confidential basis, and to the maximum extent permitted under law, it should be considered non-public and exempt from public disclosure.

Digimarc is pleased to provide you with this **firm fixed quotation**. Prices quoted in this document are based upon the information that has been provided to us by you. This quotation is being submitted on a confidential basis, and to the maximum extent permitted under Michigan law, it should be considered non-public and exempt from public disclosure.

As an existing customer, the terms of this quotation are in accordance with the existing agreement in place between Digimarc and MI-DOS.

Please feel free to contact me with any questions or concerns you may have.

Sincerely,



Dino Redmond  
Business Development Manager  
Digimarc  
63 Third Avenue  
Burlington, MA 01803  
Phone: 260-471-5320  
dredmond@digimarc.com  
[www.digimarc.com](http://www.digimarc.com)

**QUOTATION**

Date: June 2, 2006  
Quote No: FQ320060517MI02  
Valid Through: 60 days from date above  
Payment Terms: Upon Digimarc's completion and delivery of specified solution.  
Delivery: Delivery of goods and services to be completed eight weeks after receipt of Purchase Order

**To:**  
Mr. Ron Vrancheff  
Customer Service Administrator  
Michigan Department of State  
7064 Crowner Drive  
Lansing, MI 48918

**From:**  
Dino Redmond  
Business Development Manager  
Digimarc  
63 Third Avenue  
Burlington, MA USA 01803

Description of Goods and/or Services as per Quote Letter	Total Price
<i>Modify system software to enable system to supplyMotor voter identification information to the Michigan Department of State for the purpose of verifying voters' identities on a nightly basis and delivering them electronically to the state.</i>	\$69,857.00

**NOTE: This is a firm fixed quotation for goods and services.**

**Payment Terms:**

**In consideration of the goods and services provided to the MI-DOS hereunder by Digimarc, MI-DOS shall pay Digimarc a one-time payment equal to the price quoted above, upon Digimarc's completion and delivery of the solution specified in this quotation.**

STATE OF MICHIGAN  
 DEPARTMENT OF MANAGEMENT AND BUDGET  
 PURCHASING OPERATIONS  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

June 21, 2006

NOTICE  
 TO  
 CONTRACT NO. 071B6200307  
 (Supercedes Contract #071B2001444)  
 between  
 THE STATE OF MICHIGAN  
 and

NAME & ADDRESS OF VENDOR  <b>Digimarc Corporation</b> <b>9405 SW Gemini Drive</b> <b>Beaverton, OR 97008</b>  mbocci@digimarc.com	TELEPHONE 503-469-4840 <b>Marc Bocci</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 373-1080 <b>Melissa Castro</b>
Contract Administrator: Judith Overbeek <b>Digital Imaging-Based Driver License System – DOS</b>	
CONTRACT PERIOD: From: <b>April 1, 2006</b> To: <b>December 31, 2008</b>	
TERMS <b>Net 30 Days</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>F.O.B. Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

This Contract replaces Contract #071B2001444 as vendor has changed name and FEIN.  
 No additional funds have been added.

Total Estimated Contract Value: **\$4,970,139.48**

STATE OF MICHIGAN  
 DEPARTMENT OF MANAGEMENT AND BUDGET  
 PURCHASING OPERATIONS  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

**CONTRACT NO. 071B6200307**  
 (Supercedes Contract #071B2001444)

between  
**THE STATE OF MICHIGAN**  
 and

NAME & ADDRESS OF VENDOR  <b>Digimarc Corporation</b> <b>9405 SW Gemini Drive</b> <b>Beaverton, OR 97008</b>  <div style="text-align: right;">mbocci@digimarc.com</div>	TELEPHONE 503-469-4840 <b>Marc Bocci</b> <hr/> VENDOR NUMBER/MAIL CODE  BUYER (517) 373-1080 <b>Melissa Castro</b>
Contract Administrator: Judith Overbeek <p style="text-align: center;"><b>Digital Imaging-Based Driver License System – DOS</b></p>	
CONTRACT PERIOD: From: <b>April 1, 2006</b> To: <b>December 31, 2008</b>	
TERMS <p style="text-align: center;"><b>Net 30 Days</b></p>	SHIPMENT <p style="text-align: center;"><b>N/A</b></p>
F.O.B. <p style="text-align: center;"><b>F.O.B. Delivered</b></p>	SHIPPED FROM <p style="text-align: center;"><b>N/A</b></p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;"><b>N/A</b></p>	
MISCELLANEOUS INFORMATION:  <p><b>This Contract replaces Contract #071B2001444 as vendor has changed name and FEIN. No additional funds have been added.</b></p>  <p><b>Total Estimated Contract Value:      \$4,970,139.48</b></p>	

All terms and conditions of the invitation to bid are made a part hereof.

<b>FOR THE VENDOR:</b>  <div style="text-align: center;"> <b>Digimarc Corporation</b>            Firm Name         </div> <hr/> <div style="text-align: center;">           Authorized Agent Signature         </div> <hr/> <div style="text-align: center;">           Authorized Agent (Print or Type)         </div> <hr/> <div style="text-align: center;">           Date         </div>	<b>FOR THE STATE:</b>  <div style="text-align: center;">           Signature  <b>Elise Lancaster</b>            Name  <b>Director of Purchasing Operations</b>            Title         </div> <hr/> <div style="text-align: center;">           Date         </div>
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STATE OF MICHIGAN  
 DEPARTMENT OF MANAGEMENT AND BUDGET  
 PURCHASING OPERATIONS  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

May 17, 2006

CHANGE NOTICE NO. 5  
 TO  
 CONTRACT NO. 071B2001444  
 between  
 THE STATE OF MICHIGAN  
 and

NAME & ADDRESS OF VENDOR  <b>Digimarc ID Systems, LLC</b> <b>4640 Executive Blvd.</b> <b>Fort Wayne, IN 46808-1139</b>	TELEPHONE 800-627-3899 x2520 <b>James D. Redmond</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 373-1080 <b>Melissa Castro</b>
Contract Administrator: Mike Wartella (517) 322-3448 <b>Digital Imaging-Based Driver License System – DOS</b>	
CONTRACT PERIOD: From: <b>April 15, 2002</b> To: <b>April 1, 2006</b>	
TERMS <b>Net 30 Days</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>F.O.B. Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**NATURE OF CHANGE(S):**

Effective immediately, this Contract is hereby **CANCELLED** and **REPLACED** with Contract #071B6200307 due to vendor name and FEIN change.

**AUTHORITY/REASON:**

Per vendor request and DMB/Purchasing Operations approval.

**ESTIMATED CONTRACT VALUE REMAINS: \$4,970,139.48**

STATE OF MICHIGAN  
 DEPARTMENT OF MANAGEMENT AND BUDGET  
**ACQUISITION SERVICES**  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

June 19, 2003

**CHANGE NOTICE NO. 4**  
**TO**  
**CONTRACT NO. 071B2001444**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Digimarc ID Systems, LLC</b> <b>4640 Executive Blvd.</b> <b>Fort Wayne, IN 46808-1139</b> <b>dredmond@digimarc.com</b>	TELEPHONE 800-627-3899 x2520 <b>James D. Redmond</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 373-0315 <b>Jim Konrad</b>
Contract Administrator: Mike Wartella (517) 322-3448 <b>Digital Imaging-Based Driver License System – DOS</b>	
CONTRACT PERIOD: From: <b>April 15, 2002</b> To: <b>December 31, 2008</b>	
TERMS <b>Net 30 Days</b>	SHIPMENT <b>Per contract</b>
F.O.B. <b>F.O.B. Delivered</b>	SHIPPED FROM <b>California</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**NATURE OF CHANGE(S):**

This contract is hereby extended for 5 (five) years. It will now expire on December 31, 2008. In exchange for this extension, Digimarc will re-refresh the entire system and will also add several options to the system, as desired by the Department of State. A complete proposal regarding the changes is attached.

All options identified on page 5-2 of the attached will be included, with the exception of 2D Barcode Reader. The value of all options is \$487,500.00 (\$0.039 x 2,500,000 x 5 years). There is also an additional \$35,738.00 cost associated with the implementation of the vertical license format included on Change Notice #3. This \$523,238.00 will be paid for as a lump sum.

The price per license will remain \$0.9657 until December 31, 2003. Effective January 1, 2004, the price per license will be changed to \$0.926. The value of this portion of the extension is \$11,343,500.00 (\$0.926 x 2,450,000 x y years).

**INCREASE:** The total value of this extension is therefore \$11,866,238.00, which is within the \$12,000,000.00 approved by the State Administrative Board.

All other terms, conditions, specifications, and prices remain the same.

**TOTAL REVISED CONTRACT VALUE: \$16,384,139.40 (11,866,238.00 + 4,517,901.40)**

**Note: \$16,517,901.40 (12,000,000.00 + 4,517,901.40) has been approved by the State Administrative Board**

STATE OF MICHIGAN  
 DEPARTMENT OF MANAGEMENT AND BUDGET  
**ACQUISITION SERVICES**  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

March 20, 2003

**CHANGE NOTICE NO. 3**  
**TO**  
**CONTRACT NO. 071B2001444**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Digimarc ID Systems, LLC</b> <b>4640 Executive Blvd.</b> <b>Fort Wayne, IN 46808-1139</b>	TELEPHONE 800-627-3899 x2520 <b>James D. Redmond</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 373-0315 <b>Jim Konrad</b>
Contract Administrator: Mike Wartella (517) 322-3448 <b>Digital Imaging-Based Driver License System – DOS</b>	
CONTRACT PERIOD: From: <b>April 15, 2002</b> To: <b>December 31, 2003</b>	
TERMS <b>Net 30 Days</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>F.O.B. Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**NATURE OF CHANGE(S):**

The following is hereby added to the contract, effective March 19, 2003:

--The Digital Imaging Based Driver License System will be upgraded to produce under 18 and under 21 driver licenses in a vertical format, including a ghost image. The detailed proposal is attached.

--The one-time charge for this upgrade is \$267,832.00

--All other terms, conditions, specifications, and prices remain the same.

**INCREASE: \$267,832.00**

**TOTAL REVISED CONTRACT VALUE: \$4,517,901.40 (\$4,250,069.40 + \$267,832.00)**

STATE OF MICHIGAN  
 DEPARTMENT OF MANAGEMENT AND BUDGET  
**ACQUISITION SERVICES**  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

November 25, 2002

**CHANGE NOTICE NO. 2**  
**TO**  
**CONTRACT NO. 071B2001444**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Digimarc ID Systems, LLC</b> <b>4640 Executive Blvd.</b> <b>Fort Wayne, IN 46808-1139</b>	TELEPHONE 800-627-3899 x2520 <b>James D. Redmond</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 373-0315 <b>Jim Konrad</b>
Contract Administrator: Mike Wartella (517) 322-3448 <b>Digital Imaging-Based Driver License System – DOS</b>	
CONTRACT PERIOD: From: <b>April 15, 2002</b> To: <b>December 31, 2003</b>	
TERMS <b>Net 30 Days</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>F.O.B. Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**NATURE OF CHANGE(S):**

The expiration date of this contract is hereby **EXTENDED** to December 31, 2003.

All terms, conditions, specifications, and prices remain the same.

Estimated value of extension: **\$1,935,262.80**  
 (based on approximate usage of 167,000 per month x 12 months x .9657 per card)

The key contact person for Dept. of State is Ron Vrancheff at (517) 322-3447.

**AUTHORITY/REASON:**

Per terms and conditions of contract. Per agency & contractor agreement.

**INCREASE: \$1,935,262.80**

**REVISED ESTIMATED CONTRACT VALUE: \$4,250,069.40 (\$2,314,806.60 + \$1,935,262.80)**

STATE OF MICHIGAN  
 DEPARTMENT OF MANAGEMENT AND BUDGET  
**ACQUISITION SERVICES**  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

September 13, 2002

**CHANGE NOTICE NO. 1**  
**TO**  
**CONTRACT NO. 071B2001444**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Digimarc ID Systemss, LLC</b> <b>4640 Executive Blvd.</b> <b>Fort Wayne, IN 46808-1139</b>	TELEPHONE 800-627-3899 x2520 <b>James D. Redmond</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 373-0315 <b>Jim Konrad</b>
Contract Administrator: Judith Overbeek <b>Digital Imaging-Based Driver License System – DOS</b>	
CONTRACT PERIOD: From: <b>April 15, 2002</b> To: <b>December 31, 2002</b>	
TERMS <b>Net 30 Days</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>F.O.B. Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**CHANGE(S): The following is hereby added to the contract as a one-time charge:**

**Michigan DL Workstation Automatic Queue Locator**

**-Software Development**

**Digimarc ver Capture Queue Application - \$45,800.00**

**-Software Implementaiton & Maintenance - \$11,200.00**

**Delivery & Installation to all field locations as defined by Dept. of State - \$57,000.00**

**Line item 002 added for miscellaneous services.**

**All other terms, conditions, specifications & prices remain the same.**

**TOTAL REVISED CONTRACT VALUE: \$2,314,806.60 (\$2,257,806.60 + \$57,000.00)**

STATE OF MICHIGAN  
 DEPARTMENT OF MANAGEMENT AND BUDGET  
**ACQUISITION SERVICES**  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

April 24, 2002

NOTICE  
 OF  
 CONTRACT NO. 071B2001444  
 between  
 THE STATE OF MICHIGAN  
 and

NAME & ADDRESS OF VENDOR  <b>Digimarc ID Systemss, LLC</b> <b>4640 Executive Blvd.</b> <b>Fort Wayne, IN 46808-1139</b>	TELEPHONE 800-627-3899 x2520 <b>James D. Redmond</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 373-0315 <b>Jim Konrad</b>
Contract Administrator: Judith Overbeek <b>Digital Imaging-Based Driver License System – DOS</b>	
CONTRACT PERIOD: From: <b>April 15, 2002</b> To: <b>December 31, 2002</b>	
TERMS <b>Net 30 Days</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>F.O.B. Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**This contract replaces Contract #071B1001719. This contract is based on contractor's request due to the sale of Polaroid ID Systems, Inc. to Digimarc ID Systems. All terms, conditions, attachments, and changes from original contract are in effect and are attached. All references to Polaroid in the attached documents are hereby changed to Digimarc.**

**Estimated Contract Value: \$ 2,257,806.60**  
**(based on approximate usage of 167,000 per month x 14 months x .9657 per card)**

STATE OF MICHIGAN  
 DEPARTMENT OF MANAGEMENT AND BUDGET  
 ACQUISITION SERVICES  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

**CONTRACT NO. 071B2001444**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

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MISCELLANEOUS INFORMATION: <p><b>This contract replaces Contract #071B1001719. This contract is based on contractor's request due to the sale of Polaroid ID Systems, Inc. to Digimarc ID Systems. All terms, conditions, attachments, and changes from original contract are in effect and are attached. All references to Polaroid in the attached documents are hereby changed to Digimarc.</b></p> <p><b>Estimated Contract Value: \$ 2,257,806.60</b>  <b>(based on approximate usage of 167,000 per month x 14 months x .9657 per card)</b></p>	

**THIS IS NOT AN ORDER:** This Contract Agreement is awarded on the basis of our inquiry bearing the **ITB No. N/A**. Orders for delivery of equipment will be issued directly by the State Departments through the issuance of a Purchase Order Form.

All terms and conditions of the invitation to bid are made a part hereof.

<p><b>FOR THE VENDOR:</b></p> <p style="text-align: center;"><b>Digimarc ID Systems</b></p> <hr/> <p style="text-align: center;">Firm Name</p> <hr/> <p style="text-align: center;">Authorized Agent Signature</p> <hr/> <p style="text-align: center;">Authorized Agent (Print or Type)</p> <hr/> <p style="text-align: center;">Date</p>	<p><b>FOR THE STATE:</b></p> <hr/> <p style="text-align: center;">Signature  <b>Jim Konrad, Director</b></p> <hr/> <p style="text-align: center;">Name  <b>Acquisition Services, Tactical Purchasing</b></p> <hr/> <p style="text-align: center;">Title</p> <hr/> <p style="text-align: center;">Date</p>
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