

**AGREEMENT
BETWEEN
NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.
AND
COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF STATE**

THIS AGREEMENT is made and entered into on this 1st day of June 2011, by and between the National Association of State boards of Accountancy, Inc. ("NASBA"), a Delaware not-for profit corporation with offices at 150 Fourth Avenue North, Suite 700, Nashville, Tennessee 37219, and the DEPARTMENT OF STATE (the "DEPARTMENT"), as authorized by virtue of the Constitution of the Commonwealth of Puerto Rico and Law 101 of July 12, 2002, represented by the Secretary of State, Hon. Kenneth McClintock Hernández, of legal age, resident of San Juan, Puerto Rico, hereinafter referred to as the "DEPARTMENT."

RECITALS

WHEREAS, the DEPARTMENT desires the provision of certain professional services with respect to CPA licensing and NASBA desires to provide such services on the terms and conditions set forth below. NASBA currently provides the Commonwealth of Puerto Rico CPA exam administrative services, which are addressed in a separate agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the DEPARTMENT and NASBA hereby agree as follows:

I. **PROVISION OF SERVICES:**

NASBA shall in accordance with the terms and conditions of this Agreement:

1. Provide licensing services set forth in the Scope of Work below and incorporated herein by this reference, in accordance with statutes and rules and regulations of the Commonwealth of Puerto Rico.
2. Provide Accountancy Licensee Database (ALD) services in accordance with the guidance and approval of the Commonwealth of Puerto Rico listed in the Scope of Work set forth below.
3. Collect applicant fees as set forth in the Fee Schedules set forth below.

II. SCOPE OF WORK:

A. Overview:

In carrying out this Agreement, NASBA will provide the following services for the DEPARTMENT'S Accountancy Board:

1. Licensing Services:

- Design and distribute licensure application materials as approved by the DEPARTMENT and the Accountancy Examining Board;
- Notify applicants when they are eligible to apply for licensure;
- Provide licensing information and instruction on the NASBAtools.com web site in English and Spanish;
- Provide applicants with a toll-free telephone number;
- Respond to applicant inquiries;
- Receive and process initial, reciprocal, transfer of grades, international, firm, renewal, reactivation, reinstatement, change of status, applications and fees;
- Resolve complaints made by applicants;
- Provide the DEPARTMENT a list of reviewed application and recommend approval or denial of licensure and submit questionable files;
- Forward licensing files to the DEPARTMENT;
- Provide an efficient process for applicants to report name change and other changes in personal or professional information;
- Provide a method of ensuring the completeness and accuracy of applicant files;
- Track applicants' and licensees' history;
- Send notification to admitted CPA's when it is time for license renewal;
- Send notification of compliance to admitted CPAs with an expired license;
- Maintain written policies and procedures for evaluating and processing applications and the maintenance and disposition of applicant files;
- Provide DEPARTMENT with a Report and Roster of Initial License Applicants after Board Approval;
- Provide DEPARTMENT with address labels of successful applicants;
- Provide DEPARTMENT with annual report of license renewals;

- Provide status reports that summarize the status of licensure processes as of a stated period of time as defined by the DEPARTMENT;
- Provide statistical reports, rosters and summaries of applicants as defined by the Board and/or DEPARTMENT. The frequency of statistical reports is also defined by the DEPARTMENT.

It is understood that full authority for licensing remains with the Accountancy Examining Board of the DEPARTMENT which reserves the right to review applications, determine eligibility and observe the administration of the examination. Therefore, before any action is taken to initiate new services, NASBA will confer with the DEPARTMENT to ensure that all forms and other materials meet the unique requirements and recommendations of the DEPARTMENT in every way. This consultation will also serve to clarify the roles and functions of NASBA and the DEPARTMENT with respect to the services provided.

2. Continuing Professional Education (CPE) services

- In accordance with the Department's statutory, regulatory and policy requirements, applications will be reviewed for compliance with licensure and registration requirements. This includes periodic reviews of applicant's affirmation of, or compliance with, accountancy board defined Continuing Professional Education (CPE) requirements for license transfer, reinstatement or renewal.

3. Accountancy Licensee Database (ALD)

- NASBA will populate the Accountancy Licensee Database (ALD) with licensee information provided by the Department and the Society of CPAs. After the initial feed of data (licensee information contained in the database must be agreed to by the Board). Subsequent updates will be made to the ALD from applicant's data as collected by CPA Examination Services or by order of the Department (in cases of license status changes, disciplinary actions or otherwise).

4. NASBA shall also comply with the following requirements:



- Website pages relating to the services to be performed in accordance with this Agreement shall be accessible through www.pr.gov or any other official page created in the future by the Government of Puerto Rico.
 - The web design of these website pages must conform to that of the design found in www.pr.gov or any other official page created in the future by the Government of Puerto Rico. The DEPARTMENT will coordinate efforts with the concerned instrumentalities.
 - All information, forms, applications or web tools should be available in Spanish, with the exception of the ALD.
 - All services described in this agreement will be available online, without the need of the applicants or the licensed professionals to submit papers in person or by traditional mail to the DEPARTMENT or to NASBA.
 - NASBA will provide a database which will allow the DEPARTMENT to have up to date numbers of the services provided by NASBA.
 - NASBA will provide the DEPARTMENT licensee information obtained and/or created in connection with the services rendered hereunder and will share that information with other agencies of the Government, free of charge.
 - NASBA is authorized to exchange non-confidential information with the Chief Information Officer for the Government of Puerto Rico. Disclosure of applicant's or licensed professional's confidential information to the Chief Information Officer will require a prior written authorization from the applicant or licensed professional which shall be provided to NASBA at the time of the Chief Information Officer's request for the disclosure of such confidential information.
5. Data Backup:
- The DEPARTMENT understands and agrees that it is NASBA's practice to make backup copies of the DEPARTMENT's data. The DEPARTMENT acknowledges and agrees that NASBA will store and maintain such data during the term of the agreement and for a

period of one year after the expiration or earlier termination of the agreement. Upon the expiration or earlier termination of the Agreement, NASBA shall provide the DEPARTMENT with all backup copies of the DEPARTMENT's data which NASBA has in its possession at the expiration or earlier termination of this Agreement.. Subject to the terms and conditions of this Agreement, the DEPARTMENT grants NASBA a limited non-exclusive non-transferable (except in connection with an assignment as established in this agreement) license to copy, store, record, transmit, maintain, display, view, print, or otherwise use DEPARTMENT's data to the extent necessary to provide the services requested hereunder to the applicants and licensed professionals. DEPARTMENT agrees that the license to store and maintain DEPARTMENT's data shall survive the expiration or earlier termination of this Agreement for approximately one year for the sole purpose of storing backup DEPARTMENT's at NASBA's storage facilities. Subject to the terms of this Agreement, NASBA agrees that, as between the DEPARTMENT and NASBA, applicant and licensed professional data shall at all times be considered the property of the DEPARTMENT.

- NASBA warrants to the DEPARTMENT during the Term that the service will achieve in all material respects the functionality described in the this agreement and the service proposal and that such functionality will be maintained in all material respects in subsequent upgrades to the service. NASBA does not warrant that the service will be error-free. DEPARTMENT's remedy for NASBA's breach of this warranty shall be that NASBA shall be required to use reasonable efforts to modify the service to achieve its functionality in all material respects and if NASBA is unable to restore such functionality, DEPARTMENT shall be entitled to terminate the Agreement. Reasonable efforts should be consistent with NASBA's past practice or the practice standard of the industry, that which is most beneficial for the DEPARTMENT, to restore functionality as expeditiously as possible. NASBA shall have no obligation with respect to a warranty claim unless notified of such claim within sixty (60) days of the first instance of any material functionality problem which was known or should have been known by the DEPARTMENT.
- NASBA warrants during the Term of this Agreement that NASBA will use reasonable efforts to safeguard and accurately maintain DEPARTMENT data, utilizing at a minimum industry standard security and backup procedures. In the event of a breach of this provision, NASBA will use reasonable efforts to correct the DEPARTMENT's data or

restore the DEPARTMENT's data as quickly as possible. Reasonable efforts should be consistent with NASBA's past practice or the practice standard of the industry, that which is most beneficial for the DEPARTMENT, to correct the DEPARTMENT's data or restore the DEPARTMENT's data as expeditiously as possible.

- NASBA warrants that it is the sole owner of the technology platforms that it used in providing the services to be rendered hereunder and its utilization of the technology platforms will not, in any way, constitute an infringement or other violation of any copyright or trademark of any third party.
- NASBA warrants that the technology platforms used in providing the services to be rendered hereunder shall be free of viruses, Trojan horses, worms, spy ware, or other malicious code or components.

All of the aforementioned services shall be conducted by NASBA staff in Nashville, Tennessee, and by employees/contractors, who will be located in Puerto Rico and work out of the DEPARTMENT's offices in Old San Juan, Puerto Rico.

NASBA agrees to hire the full time services of one local Puerto Rico citizen ("PR Personnel") that was affected by dismissals under Law No. 7 of 2009 to fulfill some of the responsibilities set forth in this Agreement. The DEPARTMENT agrees to obtain and/or grant all necessary authorizations for each PR Personnel to occupy an office located at the DEPARTMENT'S offices during the term of the Agreement at no cost to NASBA. In addition, the DEPARTMENT will provide during the term of the Agreement, a computer, telephone, internet and telephone service, and access to the software programs and databases necessary for such employee to perform his/her duties hereunder, including any other basic office needs for each PR Personnel at no cost to NASBA.

PR Personnel will report exclusively to NASBA supervisors and will only be responsible to complete duties related to the Scope of Work described in this Agreement.

III. **PAYMENT FOR SERVICES AND FEE SCHEDULE:**

Applicants will apply for licensure and license renewal directly to NASBA through the Internet and submit payment through credit cards and other electronic payment methods, which may include electronic transfers from checking accounts and Paypal, according to the following fee schedule.

LICENSURE FEE SCHEDULE

Service	Hacienda Fee	Puerto Rico Board Fee	NASBA Fee	Total Fee
INDIVIDUALS				
Puerto Rico Initial License	\$50.00	\$15.00	\$80.00	\$145.00
Reciprocity/Transfer of License from Another State	\$50.00	\$35.00	\$165.00	\$250.00
Reinstatement of License (Late Filing)	\$60.00	\$65.00	\$150.00	\$275.00
License Renewal	\$50.00	\$35.00	\$95.00	\$180.00
Retired CPA Status License Renewal (PR does not has such status)	N/A	N/A	\$100.00	
OTHER FEES				
Interstate Exchange of Exam and License Information	\$0.00	0.00	\$20.00	
Duplicate License	\$0.00	\$0.00	\$20.00	
License Certification	\$0.00	\$10.00		
FIRMS				
Partnerships, PCs, and LLCs	\$50.00	\$100.00	\$100.00	\$250.00
Firm Registration Renewal	\$50.00	\$35.00	\$100.00	\$185.00
Firm Renewal (Late Filing)	\$60.00	\$65.00	\$150.00	\$275.00

NASBA will collect the Total Fee set forth above and remit to the DEPARTMENT the Puerto Rico Board Fees set forth above, respectively, for each applicant application effective following receipt by NASBA of the first licensure fees collected. . The Puerto Rico Board Fee is meant to cover the cost of the Internal Revenue Receipt issued by the Collector of Internal Revenue and any other fees required under Puerto Rico law.

At the end of each month, NASBA shall deduct all applicable charges as set forth in fee schedule as fees due to NASBA. After deducting the applicable charges due for the month, NASBA shall send a check for the remaining funds, payable to *Secretario de Hacienda*, to Departamento de Estado, Oficina de Presupuesto y Finanzas, PO Box 9023271, San Juan, PR 00902-3271. NASBA shall also provide to the DEPARTMENT at the end of each month, a report identifying the total transactions which took place during the month, the total revenue received and the applicable deductions related to NASBA's charges (the "Monthly Transaction Report"). If the DEPARTMENT disputes any information set forth on the Monthly Transaction Report, the DEPARTMENT shall within ten (10) days of its receipt of the Monthly Transaction

Report, notify NASBA in writing and the parties shall work together to identify and resolve any disputed items within ten (10) days after NASBA's receipt of such notice.

NASBA will not charge the DEPARTMENT, or any other agency of the Government of Puerto Rico which so requests, for participating and using the Accountancy Licensee Database (ALD).

IV. **TERM:**

- A. The initial term of this Agreement shall be from June 1, 2011 through December 31st, 2012.
- B. This Agreement shall automatically renew at the end of the term for an additional period of three (3) years, unless either party notifies the other party in writing of its intention not to renew the Agreement by providing written notice within one-hundred eighty (180) calendar days after January 2nd, 2013. In such case, the Agreement shall terminate thirty days after the notification of the intention not to renew. In the event that the parties do not exercise this right to cancel within such one-hundred eighty (180) calendar day period, such right shall be of no further force and effect and the automatic renewal will prevail.

V. **CONFIDENTIALITY:**

NASBA warrants that it will maintain in confidence all information (applicant names, social security numbers, grades, scores and license history not publicly available or provided in the ALD) belonging to the DEPARTMENT, and will neither use such information nor disclose it to anyone outside of the DEPARTMENT, a professional board or any of its members within the DEPARTMENT, or as required to perform any aspect of the scope of work, including providing information to any relevant national association without explicit written permission of the DEPARTMENT.

VI. **GENERAL PROVISIONS:**

- A. NASBA certifies and the DEPARTMENT understands that no member of the legislature or employee of the COMMONWEALTH OF PUERTO RICO or any member of his/her family has any direct or indirect pecuniary interest in the consent of this Agreement, or to any benefit that may arise there from.
- B. In connection with the performance of work under this Agreement, NASBA agrees that:

1. It will not discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, age, height, weight, disability, marital status, political affiliations, or sex;
2. It will in all solicitations or advertisements for employees placed on behalf of NASBA state that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, ancestry, age, height, weight, disability, marital status or sex or alternatively that NASBA is an equal opportunity employer; and
3. As part of its commitment to not discriminate on the basis of disability, NASBA shall, at minimum, meet the standards applicable to the COMMONWEALTH and the DEPARTMENT under the Americans with Disabilities Act (42 U.S.C. 12101 etc., 28 C.F.R. part 35). These standards include, but are not limited to, giving primary consideration to the requests of individuals with disabilities when determining which appropriate auxiliary aids and services to furnish for purposes of giving such persons equal opportunity to use the services provided by NASBA under this agreement. The same considerations and special accommodations or scheduling arrangements will be provided by NASBA to any religious preferences in accordance with the regulations of any relevant national association. NASBA agrees to assume expenses for special arrangements for disabled applicants up to a maximum of \$2,000 for the services performed as per, and during the term of, this Agreement.

C. This Agreement is not assignable by NASBA, either in whole or in part, except to another wholly-owned entity established by NASBA, without prior written consent of the DEPARTMENT.

D. NASBA shall indemnify and hold harmless the DEPARTMENT against any and all liability, loss, damages, costs and expenses which it may sustain, incur, or be required to pay, arising out of or in connection with services performed under this Agreement by reason of the gross negligence or willful misconduct of NASBA, its agent(s) or employees, or any of its subcontractors.

E. NASBA shall maintain during the Initial Term of this Agreement and any renewals thereof a comprehensive general liability insurance policy with minimum coverage limits of not less than \$2,000,000 in the aggregate.

- F. NASBA hereby certifies that it has never been convicted of any criminal or civil action against the government of the United States or the Commonwealth of Puerto Rico. NASBA certifies that it has no knowledge of any ongoing investigation targeting NASBA that involves any type of criminal or civil action against any instrumentality of the U.S. Government or the COMMONWEALTH OF PUERTO RICO government, nor has it been convicted of any crime involving U.S. or COMMONWEALTH OF PUERTO RICO funds. NASBA acknowledges that it is under duty to inform the DEPARTMENT of any changes to the above certification through the life of this Agreement. NASBA hereby certifies that NASBA does not have any outstanding debts to the Government of Puerto Rico or the Government of the United States of America. If in the future NASBA is convicted of any of the aforementioned crimes, the DEPARTMENT may terminate this Agreement immediately.
- G. NASBA hereby certifies that it does not have any pending debt corresponding to child support or, in the alternative, that it has entered into and complied with a payment plan with the Administration of Child Support, government agency ascribed to the Department of the Family, pursuant to Law 86 of August 17, 1994. NASBA acknowledges that this condition is an essential part of this Agreement. If the previously noted certification is not fully or partly correct, the DEPARTMENT shall be entitled to terminate the same thereby, and NASBA shall be obligated to reimburse the entire sum received under this Agreement to the DEPARTMENT less any value received by the DEPARTMENT. NASBA hereby certifies that none of our employees have a retention order due to any residents of Puerto Rico.
- H. NASBA agrees to abide by the Code of Ethics for Contractors, Suppliers and Economic Solicitors of the Executive Branch of the COMMONWEALTH OF PUERTO RICO, which governs the relations of all natural or legal persons, that have an interest in doing business with, provide services to, or petition economic incentives to the COMMONWEALTH OF PUERTO RICO, pursuant to Law 84 of June 18, 2002.
- I. NASBA agrees that any breach of contract by NASBA with respect to the duties and responsibilities as noted in this Agreement, as well as any negligence or abandonment of this Agreement on the part of NASBA shall be sufficient cause for the DEPARTMENT to immediately terminate this Agreement without effect and without any further obligation to NASBA.

VII. **FORCE MAJEURE:**



Neither NASBA nor the DEPARTMENT shall be responsible for delays or failures in performance resulting from acts beyond the control of either party. Such acts shall include but not be limited to acts of God, strikes, riots, acts of war, fire, communication line failures, power failures, earthquakes or other disasters.

VIII. **GOVERNING LAW:**

This Agreement shall be deemed to be executed in Puerto Rico, regardless of NASBA's domicile. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the Commonwealth of Puerto Rico without giving effect to the principles of conflicts law thereof. NASBA and the Department consent to the interpretation of laws, jurisdiction, and venue in the state and federal courts sitting in Commonwealth of Puerto Rico, in San Juan. In any action or suit to enforce any right or remedy under this Agreement or to interpret any provision of this Agreement, the prevailing party shall be entitled to recover its costs, including reasonable attorneys' fees. If a provision of this Section is found to be invalid, illegal or unenforceable in any respect, the court may modify it to make such provision enforceable.

IX. **CANCELLATION:**

A. This Agreement or any extension thereof may be cancelled by the DEPARTMENT upon 90 days written notice prior to the effective date of cancellation if:

1. The purpose for which this Agreement is entered into no longer exists due to its elimination by executive or legislative action; or
2. Funds are not made available for the DEPARTMENT in the allocation of funds by state budgetary authorities.

B. This Agreement or any extension thereof may be cancelled by NASBA upon 90 days' written notice prior to the effective date of cancellation if Puerto Rico's statutes or regulations affecting NASBA's performance under this Agreement are enacted or changed to such an extent that, in NASBA's opinion, continuation of this Agreement would be detrimental to NASBA.

X. **RESPONSIBILITIES:**

NASBA hereby certifies that it has no outstanding tax debts with the Commonwealth of Puerto Rico within the last five (5) years. NASBA expressly acknowledges that this is an essential condition of this Agreement. If the preceding certification is not correct, the COMMONWEALTH OF PUERTO RICO shall be entitled to terminate this Agreement and NASBA shall be obligated to reimburse the entire sum received under this Agreement to the COMMONWEALTH OF PUERTO RICO.

XI. **CONFLICTS OF INTEREST:**

NASBA acknowledges that in performing its professional duties, it must have complete loyalty toward the DEPARTMENT that includes not having interests that are adverse to that government entity. These adverse interests include representation of clients that have or may have later conflict of interests with the contracting party. This duty also includes the obligation of divulging to the DEPARTMENT constantly all the circumstances of its relationships with clients and third persons and any interest that could exert some kind of influence on the DEPARTMENT or this Agreement on the date the contract is granted or during its affectivity.

NASBA represents conflicted interests when, for the benefit of a client it has the duty to promote that which it must oppose in order to comply with its obligations with another previous, present or potential client. Furthermore, it constitutes conflict of interests when its behavior is described as such in the standards of ethics set forth in the profession or in the laws and regulations of the COMMONWEALTH OF PUERTO RICO. It shall constitute a violation of this prohibition in contracts with societies or companies that any of its directors, associates or employee incurs in the herein-described behavior. NASBA shall avoid even the appearance of the existence of conflict of interests.

NASBA recognizes the power that the chief executive of the DEPARTMENT has to watch for the compliance of the prohibitions herein contained. If the chief executive of the DEPARTMENT understands that there exists or have appeared adverse interests toward NASBA, he/she shall notify in writing his/her findings and his/her intention to rescind the contract in a thirty (30) day term. NASBA shall be entitled within that term to ask for a meeting with such chief executive to expose its arguments against such determination of conflict, which shall always be granted. If said meeting is not requested in the aforementioned term, or if the controversy is not satisfactorily solved during the meeting, this Agreement shall be cancelled.

XII. **ENTIRE AGREEMENT AND AMENDMENTS:**

This Agreement and its Proposal, included as Exhibit 1:

- A. Constitutes the Entire Agreement between the parties with respect to the subject matter and supersedes any previous agreements, proposals or other arrangements between the parties with respect to the subject matter hereof. No change, alteration, or amendment to or of this Agreement shall be effective unless it is in writing and signed by a duly authorized representative of the DEPARTMENT and a duly authorized representative of NASBA. If the Proposal differs from the Agreement in any of its terms, the text of the Agreement shall prevail.
- B. Shall have substantive meaning only with respect to the text and not with respect to the headings, nor shall any meaning be attributed to the order in which its provisions have been listed;
- C. Shall be enforceable with respect to the remainder should any provision be deemed illegal or unenforceable; and
- D. May be enforced by means of the remedies set forth herein and/or any other remedies available at law or in equity.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their properly authorized personnel on the day and year above written.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.,
a Delaware corporation

By: 

Ken L. Bishop
Executive Vice President & Chief Operating Officer

621-74-9258

COMMONWEALTH OF PUERTO RICO

By: 

Hon. Kenneth D. McClintock
Secretary of State

660-63-7290