

JUSTIFICATION FOR
EMERGENCY PROCUREMENT

Based upon the following determination, the proposed procurement action described below is being procured pursuant to the authority of Section 11-35-1570 of the South Carolina Procurement Code and 19-445.2110 of the Rules and Regulations, 1976 South Carolina Code of Laws.

This governmental body proposes to procure Information
Technology Services (1)

as a emergency procurement from Mandiant Corporation
(2)

The basis for this emergency determination and the reason no other vendor is suitable is:

see attached.
(3)

Oct 11, 2012
DATE

SC DOR
GOVERNMENTAL BODY
Jin Elter
AUTHORIZED SIGNATURE
Director
TITLE

- NOTES:
- (1) Enter description of goods or services to be procured.
 - (2) Enter name of emergency contractor.
 - (3) Enter the determination and basis for emergency procurement.

THE DRUG FREE WORK PLACE ACT APPLIES TO ALL EMERGENCY PROCUREMENTS OF \$50,000 OR GREATER.

Determination of South Carolina Department of Revenue of the Need for Emergency Procurement of Information Technology Services

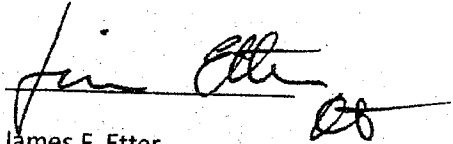
In order to protect and preserve confidential information of all South Carolina taxpayers, as well as the financial resources of the State of South Carolina, the Director of the Department of Revenue (Department) hereby determines that it is appropriate to make an emergency procurement of information technology services. The Director makes this Determination in accordance with the Emergency Procurement provisions of S.C. Code Ann. § 11-35-1570 and the accompanying 19 S.C. Code Ann. Reg. 445.2110. Through the use of illegal and unauthorized means, a criminal or criminals attacked the Department and stole confidential taxpayer information contained within the Department's computer networks. The illegally obtained information includes personal taxpayer information, Social Security numbers, tax identification numbers, and credit card account information. The ability of an outside intruder to illegally access the Department's networks constitutes an immediate and serious threat to the financial reserves of the State as well as the identities and financial wellbeing of all South Carolina taxpayers. The illegally obtained information enables criminals to steal identities of South Carolina taxpayers, thereby exposing those taxpayers and the State to millions of dollars in losses and damages. Without prompt and immediate action by the Department, additional information could be illegally obtained, thereby increasing the potential damage to the State and its citizens.

The Department was advised by law enforcement and personnel at DSIT to engage Mandiant Corporation (Mandiant), a cyber-security firm to investigate the security breach and to terminate the illegal intrusion. Furthermore, while the Department maintains systems and firewalls to protect against illegal and unauthorized access to its networks, recent events demonstrate that additional and highly specialized expertise is needed in order to more fully protect the Department's networks. Mandiant's expertise enabled the Department to terminate the ongoing attack against its network, thereby preventing the loss of additional confidential taxpayer information. Furthermore, Mandiant is providing the Department and State and Federal law enforcement with information that may assist in identifying the criminal or criminals involved in this theft. Mandiant will also determine the current vulnerabilities within the Department's network, as well as determining and implementing the steps necessary to address such vulnerabilities. If the Department had waited to obtain the necessary network security expertise through traditional procurement methods, the Department would not have been able to stop the attack and the criminal or criminals involved with this attack would have continued illegal access to the Department's network. Continued illegal access to the Department's networks would place additional information and resources at risk of exposure, thereby placing additional taxpayers and the State in grave danger. Because of the serious and immediate nature of this threat, the Department determined it was essential that the Department utilize the Emergency Procurement provisions of S.C. Code Ann. § 11-35-1570 and the accompanying 19 S.C. Code Ann. Reg. 445.2110 to immediately retain Mandiant and stop this attack.

The Department utilized Mandiant because it provides network security solutions to business and government organizations around the world. Mandiant's unique blend of intelligence, expertise and advanced technology enabled the Department to respond and stop this attack. Mandiant's expertise is reflected in the fact that its 450+ customers make up a "Who's Who" of the Fortune 1000, including top

financial institutions, manufacturers, biotech and technology companies. Furthermore, the U.S. Department of Defense and law enforcement utilize Mandiant for network security issues.

Because of the crisis facing the Department, the Department hereby finds that the emergency procurement of cyber--security services from Mandiant Corporation is necessary in accordance with SC Code Ann. 11-35-1750 and its implementing regulation.

A handwritten signature in black ink, appearing to read "Jim Etter", is written over a horizontal line. To the right of the signature, there are two small, circular initials or marks.

James F. Etter

Director