

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

**CHANGE NOTICE NO. 4**  
 to  
**CONTRACT NO. 071B0200334**  
 between  
**THE STATE OF MICHIGAN**  
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Constellation NewEnergy – Gas Division, LLC 9960 Corporate Campus Drive, Suite 2000 Louisville, KY 40223	Jack Ensor	jack.ensor@constellation.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	Office: (410) 470-5551 Cell: (410) 371-7982 Fax: (410) 470-4802	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR (S)	MoonLighting Consulting	Nancy Moon	(248) 620-5223	moonscreen@aol.com
	DTMB	Linda LePeak	(517) 373-8825	lepeakl@michigan.gov
	DTMB	Rebecca Cook	(517) 373-8530	cookr6@michigan.gov
BUYER	DTMB	Rebecca Cook	(517) 373-8530	cookr6@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: <b>Natural Gas Supply Management – DTMB</b>			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
April 1, 2012	March 31, 2015	Two One-Year Options	March 31, 2017
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45 Days	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL ENERGY COOPERATIVE PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/>	<input type="checkbox"/>		
VALUE/COST OF CHANGE NOTICE:		ESTIMATED REVISED AGGREGATE CONTRACT VALUE:		
\$0.00		\$2,450,000.00		

Effective May 21, 2013 the vendor contact is hereby **CHANGED**, as follows:  
**Jack Ensor**  
 Office: (410) 470-5551, Cell: (410) 371-7982  
 Fax: (410) 470-4802, Email: jack.ensor@constellation.com

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

Per vendor request by email dated May 21, 2013.

**STATE OF MICHIGAN**  
**DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET** December 21, 2011  
**PROCUREMENT**  
**P.O. BOX 30026, LANSING, MI 48909**  
 OR  
**530 W. ALLEGAN, LANSING, MI 48933**

**CHANGE NOTICE NO. 3**  
**TO**  
**CONTRACT NO. 071B0200334**

**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR <b>Constellation NewEnergy – Gas Division, LLC</b> <b>9960 Corporate Campus Drive, Suite 2000</b> <b>Louisville, KY 40223</b>  <b>Email: Becki.Grabowski@constellation.com</b>	TELEPHONE (810-385-1198) <b>Becki Grabowski</b>
	CONTRACTOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-8530 <b>Rebecca Cook</b>
CONTRACT COMPLIANCE INSPECTOR: Nancy Moon, Linda LePeake, Rebecca Cook <b>NATURAL GAS SUPPLY MANAGEMENT - DTMB</b>	
CONTRACT PERIOD: From: <b>April 1, 2012</b> To: <b>March 31, 2017</b>	
TERMS <p style="text-align: center;"><b>Net 45</b></p>	SHIPMENT <p style="text-align: center;"><b>N/A</b></p>
F.O.B. <p style="text-align: center;"><b>N/A</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>	

**THIS CONTRACT IS EXTENDED TO MEMBERS OF THE STATE OF MICHIGAN ENERGY PURCHASING COOPERATIVE ONLY FOR NATURAL GAS TRANSPORT.**

**THIS CONTRACT IS EXTENDED TO MIDEAL MEMBERS FOR NATURAL GAS CUSTOMER CHOICE.**

**NATURE OF CHANGE(S):**

**Effective December 20, 2011, the following changes are hereby made to this contract:**

**Two option years are exercised on this Contract, making the REVISED Contract expiration date March 31, 2017. This Contract is also INCREASED by \$1,950,000.00.**

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

**AUTHORITY/REASON:**

**Per Cooperative member request, vendor email agreement dated November 29, 2011, DTMB Procurement approval, and State Administrative Board dated December 20, 2011.**

**INCREASE: \$1,950,000.00**

**TOTAL REVISED ESTIMATED CONTRACT VALUE: \$2,450,000.00**

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

June 30, 2011

**CHANGE NOTICE NO. 2 (Revised #2)**

TO

**CONTRACT NO. 071B0200334**

between  
**THE STATE OF MICHIGAN**  
 and

NAME & ADDRESS OF CONTRACTOR <b>Constellation NewEnergy – Gas Division, LLC</b> <b>9960 Corporate Campus Drive, Suite 2000</b> <b>Louisville, KY 40223</b>  <b>Email: <a href="mailto:Becki.Grabowski@constellation.com">Becki.Grabowski@constellation.com</a></b>	TELEPHONE (810-385-1198) <b>Becki Grabowski</b>
	CONTRACTOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-8530 <b>Rebecca Cook</b>
CONTRACT COMPLIANCE INSPECTOR: Nancy Moon, Linda LePeake, Rebecca Cook <b>NATURAL GAS SUPPLY MANAGEMENT - DTMB</b>	
CONTRACT PERIOD: From: <b>April 1, 2012</b> To: <b>March 31, 2015</b>	
TERMS <b>Net 45</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**THIS CONTRACT IS EXTENDED TO MEMBERS OF THE STATE OF MICHIGAN ENERGY PURCHASING COOPERATIVE ONLY FOR NATURAL GAS TRANSPORT.**

**THIS CONTRACT IS EXTENDED TO MIDEAL MEMBERS FOR NATURAL GAS CUSTOMER CHOICE.**

**Effective March 9, 2011, the following changes are hereby made to this contract:**

**The following new section text is hereby added to Exhibit A Standard Terms and Conditions of this contract.**

**2.302 Extended Purchasing**

**A MiDEAL Requirements**

**(1) The Contractor must ensure that all purchasers are MiDEAL Members before extending the Contract. A current listing of approved MiDEAL Members is available at: [www.michigan.gov/mideal](http://www.michigan.gov/mideal).**

(2) The Contractor must submit quarterly reports of MiDEAL Member purchasing activities to DTMB-Purchasing Operations.

(3) The Contractor shall extend the natural gas Customer Choice program indicative price to MiDEAL Members that would be quoted to the State for that date and geographic region.

(4) The Contractor, or its designee, must submit invoices to and receive payment from MiDEAL Members, or its designee, on a direct and individual basis.

(5) To participate in natural gas Customer Choice, the MiDEAL Member shall submit the applicable Customer Choice Agreement in either Exhibit E or Exhibit F of the Contract to the Contractor.

The contract start date is revised to April 1, 2012, and the corresponding expiration date is revised to March 31, 2015.

The following State contacts are revised:

Buyer and 2.021 Contract Administrator  
Rebecca Cook  
Purchasing Operations  
Department of Technology, Management  
and Budget  
Mason Bldg., 2<sup>nd</sup> Floor  
P.O. Box 30026  
Lansing, MI 48909  
Email: [cookr6@michigan.gov](mailto:cookr6@michigan.gov)  
Phone 517-373-8530

2.023 Project Manager  
Genevieve Hayes  
Purchasing Operations  
Department of Technology, Management  
and Budget  
Mason Bldg., 2<sup>nd</sup> Floor  
P.O. Box 30026  
Lansing, MI 48909  
Email: [hayesg2@michigan.gov](mailto:hayesg2@michigan.gov)  
Phone: 517-335-4730

2.022 Contract Compliance Inspectors  
Nancy Moon  
MoonLighting Consulting  
Office Phone: 248-620-5223  
Mobile Phone: 248-891-0646  
Fax: 248-620-3032  
Email: [MoonScreen@aol.com](mailto:MoonScreen@aol.com)

2.025 Notices  
Rebecca Cook  
Purchasing Operations  
Department of Technology, Management  
and Budget  
Mason Bldg., 2<sup>nd</sup> Floor  
P.O. Box 30026  
Lansing, MI 48909  
Phone 517-373-8530

Linda Lepeak  
Office of Financial Services  
Department of Technology, Management  
and Budget  
Cass Building, 2<sup>nd</sup> Floor  
P.O. Box 30026  
Lansing, MI 48909  
(517) 373-8825  
[LepeakL@michigan.gov](mailto:LepeakL@michigan.gov)

Rebecca Cook  
Purchasing Operations  
Department of Technology, Management  
and Budget  
Mason Bldg., 2<sup>nd</sup> Floor  
P.O. Box 30026  
Lansing, MI 48909  
Email: [cookr6@michigan.gov](mailto:cookr6@michigan.gov)  
Phone 517-373-8530



**Gas Customer Choice Contract**  
**Constellation NewEnergy – Gas Division, LLC**  
**Fixed Program Program**  
(Consumers Energy Small Commercial)

The undersigned ("Customer") and Constellation NewEnergy – Gas Division, LLC ("CNEG") enter into this Commercial Natural Gas Purchase Agreement ("Purchase Agreement") as of \_\_\_\_\_, 2011. Generally the words "you" and "your" refer to Customer and the words "we" and "us" refer to CNEG, unless the context clearly requires otherwise. Capitalized terms have the meanings set out in this Purchase Agreement. As the State of Michigan or a MIDEAL member, Customer is able to purchase natural gas from CNEG pursuant to the contract between CNEG and the State of Michigan ("State of Michigan Gas Supply Contract"). Customer and CNEG agree that the Standard Terms and Conditions contained in Exhibit A of the State of Michigan Gas Supply Contract shall form a part of this Purchase Agreement (this Purchase Agreement together with such Standard Terms and Conditions shall constitute the "Agreement"). In the event of any conflict or inconsistency between the terms of this Purchase Agreement and the Standard Terms and Conditions, this Purchase Agreement shall govern.

**1. Sale of Natural Gas.** You will purchase from us on an exclusive basis and we will take all action to supply, or cause to be supplied, all of your natural gas requirements for the facilities ("Accounts") set forth herein. By signing this Agreement, you authorize us to (i) enroll your Accounts with your Utility so that we can supply those Accounts, (ii) aggregate your Accounts with other end users, (iii) receive usage information from Your Utility for the Accounts and (iv) enter into agreements with your Utility as necessary under the Utility's tariff to facilitate supply as set forth herein. You also give us the authority to supply you with the source of your natural gas from whatever source we choose. You acknowledge that transportation service is subject to Gas Customer Choice Program as approved by the Michigan Public Service Commission.

**2. Term.** This Agreement will become effective and binding on both of us after we have both signed the Agreement. We will supply your Account(s) with natural gas beginning with your \_\_\_\_\_, 20\_\_ invoice through your \_\_\_\_\_, 20\_\_ invoice. This agreement may continue after initial term expiration on a month-to-month basis, cancelable at anytime without penalty. **Supply of natural gas under this Agreement is conditioned upon our verification of the accuracy of all the information that you provide to us regarding your natural gas usage and the Account(s) and enrollment of Customer into the Gas Customer Choice Program by CNEG.**

**3. Right to Cancel.** Customer has a 30-day unconditional right to cancel this agreement without termination fees following the date the Customer signs the agreement. Customer has the right to terminate participation at any time after the unconditional cancellation period; provided, however that if Customer elects to terminate prior to the expiration of this Agreement, it shall pay to CNEG a "Termination Fee." The Termination Fee shall compensate CNEG for volumes secured by CNEG on Customer's behalf and not delivered to Customer. The Termination Fee shall be calculated by multiplying the projected future volume (based on customer's actual historical usage) by the greater of (i) twenty cents (\$0.20) per Mcf or (ii) the difference in the per Mcf price in this Agreement and the "Market Price", where the Market Price shall be the average of the New York Mercantile Exchange (NYMEX) contract settlement price plus basis cost for each month remaining in this Agreement. The maximum early termination fee for small commercial agreements of one year or less shall not exceed \$150. The maximum early termination fee for small commercial agreements of longer than one year shall not exceed \$250.

**4. Price.** The price for the Customer's volume of gas to be purchased under this program shall be Fixed at XXX Dollars and XXX Cents (\$ X.XX ) per Mcf.

**Contract 071B0200334 Exhibit E**

**5. Billing.** You authorize us to act as pay agent if deemed necessary by us to facilitate seamless billing. Customer will be invoiced by the Utility for all charges applicable to your natural gas usage, including the rates set forth herein, applicable Taxes (which are passed through to you) and all applicable Utility charges for delivery/distribution/ transportation.

**6. Definitions:**

**"Delivery Point"** means existing and future points of interconnection between your Utility transmission and/or distribution system and those of a third party pipeline supplying natural gas to the Utility.

**"Utility"** means your local natural gas distribution utility owning and/or controlling and maintaining the distribution system required for delivery of natural gas to the Account(s).

**7. Notices.** All notices will be in writing and delivered by hand, certified mail, return receipt requested, or by express carrier to our respective business addresses as indicated below. Either of us can change our address by notice to the other pursuant to this paragraph.

**8. Changes in law, market structure, and/or your natural gas needs or classifications.** If a change in or implementation of law, rule, regulation, ordinance, statute, judicial decision, administrative order or Utility tariffs causes our costs under this Agreement to increase, we will have the right, to pass such increased costs on to you. The changes described in this Section may change any or all the charges described in this Agreement.

**9. Delivery Point.** We will deliver natural gas to the Delivery Point. Title and risk of loss related to the natural gas transfer to you at the Delivery Point, and you are responsible for all transmission, distribution, and other costs (including Taxes and other fees) related to the final delivery to the facilities to which the Accounts relate as well as your use of the natural gas. While we will arrange for the delivery of natural gas to you by your Utility, we will have no liability or responsibility for matters within the control of the Utility, which include maintenance of pipelines and systems, service interruptions, loss of service, deterioration of services, or meter readings.

**10. Miscellaneous.** A facsimile copy with your signature will be considered an original for all purposes, and you will provide original signed copies upon request. We are not providing advice regarding "commodity interests", including futures contracts and commodity options or any other matter, which would cause us to be a commodity trading advisor under the U.S. Commodity Exchange Act, as amended. Customer's purpose in entering into this Agreement is not speculation, but rather price volatility control and/or budget management for procurement of natural gas for one or more of its facilities.

For all issues regarding service (e.g. gas odor, leaks, and billing questions) call Consumers Energy at (800) 477-5050.

I acknowledge that I am the account holder or Legally Authorized Person to execute a contract and legally bind the business in this contract. I understand that by signing this agreement, I am switching the gas Supplier for this commercial account by CNEG. I understand that gas purchased for this commercial account by CNEG will be delivered through Consumers Energy Company's delivery system. The legally authorized person to execute a contract and legally bind the business in this contract has 30-days after today to cancel this contract for any reason through written or verbal notification to CNEG.

**CNEG:**  
Constellation NewEnergy – Gas Division, LLC

**Customer:**  
\_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Signature \_\_\_\_\_

Signature \_\_\_\_\_

**Contract 071B0200334 Exhibit E**

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**Contract 071B0200334 Exhibit E**

***Customer Information***

Service Address on Consumers Energy Bill

Mailing Address (If Different)

Name: \_\_\_\_\_

\_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

City, State ZIP: \_\_\_\_\_

\_\_\_\_\_

Consumer Energy POD Number: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Email Address: \_\_\_\_\_

Estimated Annual Usage: \_\_\_\_\_/Ccf

**For Internal Use Only:**

**Sales Agent ID:**

\_\_\_\_\_

**Phone:**

\_\_\_\_\_

\_\_\_\_\_

**Address:**

**Regional Office:**

Constellation NewEnergy-Gas Division, LLC  
3060 Commerce Drive  
Suite 4  
Fort Gratiot, MI 48059  
Phone: (800) 558-1198  
Fax: (810) 385-1799  
becki.grabowski@constellation.com

**Corporate Headquarters:**

Constellation NewEnergy-Gas Division, LLC  
9960 Corporate Campus Drive  
Suite 2000  
Louisville, KY 40223  
Phone: (800) 900-1982  
Fax: (502) 214-6381



**Gas Customer Choice Contract**  
**Constellation NewEnergy – Gas Division, LLC**  
**Fixed Program Program**  
(Consumers Energy Large Commercial)

The undersigned (“Customer”) and Constellation NewEnergy – Gas Division, LLC (“CNEG”) enter into this Commercial Natural Gas Purchase Agreement (“Purchase Agreement”) as of \_\_\_\_\_, 20\_\_\_. Generally the words “you” and “your” refer to Customer and the words “we” and “us” refer to CNEG, unless the context clearly requires otherwise. Capitalized terms have the meanings set out in this Agreement. As the State of Michigan or a MIDEAL member, Customer is able to purchase natural gas from CNEG pursuant to the contract between CNEG and the State of Michigan (“State of Michigan Gas Supply Contract”). Customer and CNEG agree that the Standard Terms and Conditions contained in Exhibit A of the State of Michigan Gas Supply Contract shall form a part of this Purchase Agreement (this Purchase Agreement together with such Standard Terms and Conditions shall constitute the “Agreement”). In the event of any conflict or inconsistency between the terms of this Purchase Agreement and the Standard Terms and Conditions, this Purchase Agreement shall govern.

**1. Sale of Natural Gas.** You will purchase from us on an exclusive basis and we will take all action to supply, or cause to be supplied, all of your natural gas requirements for the facilities (“Accounts”) set forth herein. By signing this Agreement, you authorize us to (i) enroll your Accounts with your Utility so that we can supply those Accounts, (ii) aggregate your Accounts with other end users, (iii) receive usage information from Your Utility for the Accounts and (iv) enter into agreements with your Utility as necessary under the Utility’s tariff to facilitate supply as set forth herein. You also give us the authority to supply you with the source of your natural gas from whatever source we choose. You acknowledge that transportation service is subject to Gas Customer Choice Program as approved by the Michigan Public Service Commission.

**2. Term.** This Agreement will become effective and binding on both of us after we have both signed the Agreement. We will supply your Account(s) with natural gas beginning with your \_\_\_\_\_, 20\_\_ invoice through your \_\_\_\_\_, 20\_\_ invoice. **Supply of natural gas under this Agreement is conditioned upon our verification of the accuracy of all the information that you provide to us regarding your natural gas usage and the Account(s) and enrollment of Customer into the Gas Customer Choice Program by CNEG.**

**3. Termination.** Customer has the right to terminate participation at any time, provided, however that if Customer elects to terminate prior to the expiration of this Agreement, it shall pay to CNEG a “Termination Fee.” The Termination Fee shall compensate CNEG for volumes secured by CNEG on Customer’s behalf and not delivered to Customer. The Termination Fee shall be calculated by multiplying the projected future volume (based on customer’s actual historical usage) by the greater of (i) twenty cents (\$0.20) per Mcf or (ii) the difference in the per Mcf price in this Agreement and the “Market Price”, where the Market Price shall be the average of the New York Mercantile Exchange (NYMEX) contract settlement price plus basis cost for each month remaining in this Agreement.

**4. Price.** The price for the Customer’s volume of gas to be purchased under this program shall be Fixed at XXX Dollars and XXX Cents (\$ X.XX ) per Mcf.

**5. Billing.** You authorize us to act as pay agent if deemed necessary by us to facilitate seamless billing. Customer will be invoiced by the Utility for all charges applicable to your natural gas usage, including the rates set forth herein, applicable Taxes (which are passed through to you) and all applicable Utility charges for delivery/distribution/ transportation.

**Contract 071B0200334 Exhibit F**

**6. Definitions:**

“**Delivery Point**” means existing and future points of interconnection between your Utility transmission and/or distribution system and those of a third party pipeline supplying natural gas to the Utility.

“**Utility**” means your local natural gas distribution utility owning and/or controlling and maintaining the distribution system required for delivery of natural gas to the Account(s).

**7. Notices.** All notices will be in writing and delivered by hand, certified mail, return receipt requested, or by express carrier to our respective business addresses as indicated below. Either of us can change our address by notice to the other pursuant to this paragraph.

**8. Changes in law, market structure, and/or your natural gas needs or classifications.** If a change in or implementation of law, rule, regulation, ordinance, statute, judicial decision, administrative order or Utility tariffs causes our costs under this Agreement to increase, we will have the right, to pass such increased costs on to you. The changes described in this Section may change any or all the charges described in this Agreement.

**9. Delivery Point.** We will deliver natural gas to the Delivery Point. Title and risk of loss related to the natural gas transfer to you at the Delivery Point, and you are responsible for all transmission, distribution, and other costs (including Taxes and other fees) related to the final delivery to the facilities to which the Accounts relate as well as your use of the natural gas. While we will arrange for the delivery of natural gas to you by your Utility, we will have no liability or responsibility for matters within the control of the Utility, which include maintenance of pipelines and systems, service interruptions, loss of service, deterioration of services, or meter readings.

**10. Miscellaneous.** A facsimile copy with your signature will be considered an original for all purposes, and you will provide original signed copies upon request. We are not providing advice regarding “commodity interests”, including futures contracts and commodity options or any other matter, which would cause us to be a commodity trading advisor under the U.S. Commodity Exchange Act, as amended. Customer’s purpose in entering into this Agreement is not speculation, but rather price volatility control and/or budget management for procurement of natural gas for one or more of its facilities.

For all issues regarding service (e.g. gas odor, leaks, and billing questions) call Consumers Energy at (800) 477-5050.

**I acknowledge that I am the account holder or Legally Authorized Person to execute a contract and legally bind the business in this Agreement. I understand that by signing this Agreement, I am switching the gas Supplier for this commercial account to CNEG. I understand that gas purchased for this commercial account by CNEG will be delivered through Consumers Energy Company’s delivery system. The Legally Authorized Person to execute a contract and legally bind the business in this Agreement has 14 days after today to cancel this Agreement for any reason through written or verbal notification to CNEG. I may waive this right of cancellation by affirmatively agreeing to this waiver on this Agreement.**

\_\_\_\_\_ I agree to waive my 14 day right to cancel this Agreement.  
(Customer initials)

**If you terminated your contract today, and if the unconditional cancellation period did not apply, based on current gas prices and your historical usage, a good-faith estimate of your Termination Fee would be \$ . This Termination Fee is subject to change as your usage and the market price of gas fluctuate.**

**CNEG:**  
Constellation NewEnergy – Gas Division, LLC

**Customer:**  
\_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

**Contract 071B0200334 Exhibit F**

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title \_\_\_\_\_

***Customer Information***

Service Address on Consumers Energy Bill

Mailing Address (If Different)

Name: \_\_\_\_\_

\_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

City, State ZIP: \_\_\_\_\_

\_\_\_\_\_

Consumer Energy POD Number: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Email Address: \_\_\_\_\_

Estimated Annual Usage: \_\_\_\_\_ Mcf

**For Internal Use Only:**

Sales Agent ID:

\_\_\_\_\_

Phone: \_\_\_\_\_

\_\_\_\_\_

Address:

**Regional Office:**

Constellation NewEnergy-Gas Division, LLC  
3060 Commerce Drive  
Suite 4  
Fort Gratiot, MI 48059  
Phone: (800) 558-1198  
Fax: (810) 385-1799  
becki.grabowski@constellation.com

**Corporate Headquarters:**

Constellation NewEnergy-Gas Division, LLC  
9960 Corporate Campus Drive  
Suite 2000  
Louisville, KY 40223  
Phone: (800) 900-1982  
Fax: (502) 426-8800

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

June 30, 2011

**CHANGE NOTICE NO. 2 (Revised)**

**TO**  
**CONTRACT NO. 071B0200334**

**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR <b>Constellation NewEnergy – Gas Division, LLC</b> <b>9960 Corporate Campus Drive, Suite 2000</b> <b>Louisville, KY 40223</b>  <b>Email: Becki.Grabowski@constellation.com</b>	TELEPHONE (810-385-1198) <b>Becki Grabowski</b>
	CONTRACTOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-8530 <b>Rebecca Cook</b>
CONTRACT COMPLIANCE INSPECTOR: Rebecca Nevai <b>NATURAL GAS SUPPLY MANAGEMENT - DTMB</b>	
CONTRACT PERIOD: From: <b>April 1, 2012</b> To: <b>March 31, 2015</b>	
TERMS <b>Net 45</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**THIS CONTRACT IS EXTENDED TO MEMBERS OF THE STATE OF MICHIGAN ENERGY PURCHASING COOPERATIVE ONLY FOR NATURAL GAS TRANSPORT.**

**THIS CONTRACT IS EXTENDED TO MIDEAL MEMBERS FOR NATURAL GAS CUSTOMER CHOICE.**

**Effective March 9, 2011, the following changes are hereby made to this contract:**

**The following new section text is hereby added to Exhibit A Standard Terms and Conditions of this contract.**

**2.302 Extended Purchasing**

**A MiDEAL Requirements**

- (1) The Contractor must ensure that all purchasers are MiDEAL Members before extending the Contract. A current listing of approved MiDEAL Members is available at: [www.michigan.gov/mideal](http://www.michigan.gov/mideal).**
- (2) The Contractor must submit quarterly reports of MiDEAL Member purchasing activities to DTMB-Purchasing Operations.**

- (3) The Contractor shall extend the natural gas Customer Choice program indicative price to MiDEAL Members that would be quoted to the State for that date and geographic region.
- (4) The Contractor must submit invoices to and receive payment from MiDEAL Members, or its designee, on a direct and individual basis.
- (5) To participate in natural gas Customer Choice, the MiDEAL Member shall submit the applicable Customer Choice Agreement in either Exhibit E or Exhibit F of the Contract to the Contractor.

The contract start date is revised to April 1, 2012, and the corresponding expiration date is revised to March 31, 2015.

The following State contacts are revised:

**Buyer and 2.021 Contract Administrator**  
Rebecca Cook  
Purchasing Operations  
Department of Technology, Management  
and Budget  
Mason Bldg., 2<sup>nd</sup> Floor  
P.O. Box 30026  
Lansing, MI 48909  
Email: [nevair@michigan.gov](mailto:nevair@michigan.gov)  
Phone 517-373-8530

Rebecca Cook  
Purchasing Operations  
Department of Technology, Management  
and Budget  
Mason Bldg., 2<sup>nd</sup> Floor  
P.O. Box 30026  
Lansing, MI 48909  
Email: [nevair@michigan.gov](mailto:nevair@michigan.gov)  
Phone 517-373-8530

**2.022 Contract Compliance Inspectors**  
Nancy Moon  
MoonLighting Consulting  
Office Phone: 248-620-5223  
Mobile Phone: 248-891-0646  
Fax: 248-620-3032  
Email: [MoonScreen@aol.com](mailto:MoonScreen@aol.com)

**2.023 Project Manager**  
Genevieve Hayes  
Purchasing Operations  
Department of Technology, Management  
and Budget  
Mason Bldg., 2<sup>nd</sup> Floor  
P.O. Box 30026  
Lansing, MI 48909  
Email: [hayesg2@michigan.gov](mailto:hayesg2@michigan.gov)  
Phone: 517-335-4730

Linda Lepeak  
Office of Financial Services  
Department of Technology, Management  
and Budget  
Cass Building, 2<sup>nd</sup> Floor  
P.O. Box 30026  
Lansing, MI 48909  
(517) 373-8825  
[LepeakL@michigan.gov](mailto:LepeakL@michigan.gov)

**2.025 Notices**  
Rebecca Cook  
Purchasing Operations  
Department of Technology, Management  
and Budget  
Mason Bldg., 2<sup>nd</sup> Floor  
P.O. Box 30026  
Lansing, MI 48909  
Phone 517-373-8530



**Gas Customer Choice Contract**  
**Constellation NewEnergy – Gas Division, LLC**  
**Fixed Program Program**  
(Consumers Energy Small Commercial)

The undersigned (“Customer”) and Constellation NewEnergy – Gas Division, LLC (“CNEG”) enter into this Commercial Natural Gas Purchase Agreement (“Purchase Agreement”) as of \_\_\_\_\_, 2011. Generally the words “you” and “your” refer to Customer and the words “we” and “us” refer to CNEG, unless the context clearly requires otherwise. Capitalized terms have the meanings set out in this Purchase Agreement. As the State of Michigan or a MIDEAL member, Customer is able to purchase natural gas from CNEG pursuant to the contract between CNEG and the State of Michigan (“State of Michigan Gas Supply Contract”). Customer and CNEG agree that the Standard Terms and Conditions contained in Exhibit A of the State of Michigan Gas Supply Contract shall form a part of this Purchase Agreement (this Purchase Agreement together with such Standard Terms and Conditions shall constitute the “Agreement”). In the event of any conflict or inconsistency between the terms of this Purchase Agreement and the Standard Terms and Conditions, this Purchase Agreement shall govern.

**1. Sale of Natural Gas.** You will purchase from us on an exclusive basis and we will take all action to supply, or cause to be supplied, all of your natural gas requirements for the facilities (“Accounts”) set forth herein. By signing this Agreement, you authorize us to (i) enroll your Accounts with your Utility so that we can supply those Accounts, (ii) aggregate your Accounts with other end users, (iii) receive usage information from Your Utility for the Accounts and (iv) enter into agreements with your Utility as necessary under the Utility’s tariff to facilitate supply as set forth herein. You also give us the authority to supply you with the source of your natural gas from whatever source we choose. You acknowledge that transportation service is subject to Gas Customer Choice Program as approved by the Michigan Public Service Commission.

**2. Term.** This Agreement will become effective and binding on both of us after we have both signed the Agreement. We will supply your Account(s) with natural gas beginning with your \_\_\_\_\_, 20\_\_ invoice through your \_\_\_\_\_, 20\_\_ invoice. This agreement may continue after initial term expiration on a month-to-month basis, cancelable at anytime without penalty. **Supply of natural gas under this Agreement is conditioned upon our verification of the accuracy of all the information that you provide to us regarding your natural gas usage and the Account(s) and enrollment of Customer into the Gas Customer Choice Program by CNEG.**

**3. Right to Cancel.** Customer has a 30-day unconditional right to cancel this agreement without termination fees following the date the Customer signs the agreement. Customer has the right to terminate participation at any time after the unconditional cancellation period; provided, however that if Customer elects to terminate prior to the expiration of this Agreement, it shall pay to CNEG a “Termination Fee.” The Termination Fee shall compensate CNEG for volumes secured by CNEG on Customer’s behalf and not delivered to Customer. The Termination Fee shall be calculated by multiplying the projected future volume (based on customer’s actual historical usage) by the greater of (i) twenty cents (\$0.20) per Mcf or (ii) the difference in the per Mcf price in this Agreement and the “Market Price”, where the Market Price shall be the average of the New York Mercantile Exchange (NYMEX) contract settlement price plus basis cost for each month remaining in this Agreement. The maximum early termination fee for small commercial agreements of one year or less shall not exceed \$150. The maximum early termination fee for small commercial agreements of longer than one year shall not exceed \$250.

**4. Price.** The price for the Customer’s volume of gas to be purchased under this program shall be Fixed at XXX Dollars and XXX Cents (\$ X.XX ) per Mcf.

**5. Billing.** You authorize us to act as pay agent if deemed necessary by us to facilitate seamless billing. Customer will be invoiced by the Utility for all charges applicable to your natural gas usage, including the rates set forth

herein, applicable Taxes (which are passed through to you) and all applicable Utility charges for delivery/distribution/ transportation.

**6. Definitions:**

“**Delivery Point**” means existing and future points of interconnection between your Utility transmission and/or distribution system and those of a third party pipeline supplying natural gas to the Utility.

“**Utility**” means your local natural gas distribution utility owning and/or controlling and maintaining the distribution system required for delivery of natural gas to the Account(s).

**7. Notices.** All notices will be in writing and delivered by hand, certified mail, return receipt requested, or by express carrier to our respective business addresses as indicated below. Either of us can change our address by notice to the other pursuant to this paragraph.

**8. Changes in law, market structure, and/or your natural gas needs or classifications.** If a change in or implementation of law, rule, regulation, ordinance, statute, judicial decision, administrative order or Utility tariffs causes our costs under this Agreement to increase, we will have the right, to pass such increased costs on to you. The changes described in this Section may change any or all the charges described in this Agreement.

**9. Delivery Point.** We will deliver natural gas to the Delivery Point. Title and risk of loss related to the natural gas transfer to you at the Delivery Point, and you are responsible for all transmission, distribution, and other costs (including Taxes and other fees) related to the final delivery to the facilities to which the Accounts relate as well as your use of the natural gas. While we will arrange for the delivery of natural gas to you by your Utility, we will have no liability or responsibility for matters within the control of the Utility, which include maintenance of pipelines and systems, service interruptions, loss of service, deterioration of services, or meter readings.

**10. Miscellaneous.** A facsimile copy with your signature will be considered an original for all purposes, and you will provide original signed copies upon request. We are not providing advice regarding “commodity interests”, including futures contracts and commodity options or any other matter, which would cause us to be a commodity trading advisor under the U.S. Commodity Exchange Act, as amended. Customer’s purpose in entering into this Agreement is not speculation, but rather price volatility control and/or budget management for procurement of natural gas for one or more of its facilities.

For all issues regarding service (e.g. gas odor, leaks, and billing questions) call Consumers Energy at (800) 477-5050.

**I acknowledge that I am the account holder or Legally Authorized Person to execute a contract and legally bind the business in this contract. I understand that by signing this agreement, I am switching the gas Supplier for this commercial account by CNEG. I understand that gas purchased for this commercial account by CNEG will be delivered through Consumers Energy Company’s delivery system. The legally authorized person to execute a contract and legally bind the business in this contract has 30-days after today to cancel this contract for any reason through written or verbal notification to CNEG.**

**CNEG:**  
Constellation NewEnergy – Gas Division, LLC

**Customer:**  
\_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Signature \_\_\_\_\_

Signature \_\_\_\_\_

Title: \_\_\_\_\_

Title \_\_\_\_\_

**Customer Information**

Service Address on Consumers Energy Bill

Mailing Address (If Different)

Name: \_\_\_\_\_

\_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

City, State ZIP: \_\_\_\_\_

\_\_\_\_\_

Consumer Energy POD Number: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Email Address: \_\_\_\_\_

Estimated Annual Usage: \_\_\_\_\_/Ccf

<b>For Internal Use Only:</b>
Sales Agent ID: _____
Phone: _____ _____
Address: _____

**Regional Office:**

Constellation NewEnergy-Gas Division, LLC  
3060 Commerce Drive  
Suite 4  
Fort Gratiot, MI 48059  
Phone: (800) 558-1198  
Fax: (810) 385-1799  
becki.grabowski@constellation.com

**Corporate Headquarters:**

Constellation NewEnergy-Gas Division, LLC  
9960 Corporate Campus Drive  
Suite 2000  
Louisville, KY 40223  
Phone: (800) 900-1982  
Fax: (502) 214-6381



## **Gas Customer Choice Contract**

### **Constellation NewEnergy – Gas Division, LLC**

### **Fixed Program Program**

**(Consumers Energy Large Commercial)**

The undersigned (“Customer”) and Constellation NewEnergy – Gas Division, LLC (“CNEG”) enter into this Commercial Natural Gas Purchase Agreement (“Purchase Agreement”) as of \_\_\_\_\_, 20\_\_\_. Generally the words “you” and “your” refer to Customer and the words “we” and “us” refer to CNEG, unless the context clearly requires otherwise. Capitalized terms have the meanings set out in this Agreement. As the State of Michigan or a MIDEAL member, Customer is able to purchase natural gas from CNEG pursuant to the contract between CNEG and the State of Michigan (“State of Michigan Gas Supply Contract”). Customer and CNEG agree that the Standard Terms and Conditions contained in Exhibit A of the State of Michigan Gas Supply Contract shall form a part of this Purchase Agreement (this Purchase Agreement together with such Standard Terms and Conditions shall constitute the “Agreement”). In the event of any conflict or inconsistency between the terms of this Purchase Agreement and the Standard Terms and Conditions, this Purchase Agreement shall govern.

**1. Sale of Natural Gas.** You will purchase from us on an exclusive basis and we will take all action to supply, or cause to be supplied, all of your natural gas requirements for the facilities (“Accounts”) set forth herein. By signing this Agreement, you authorize us to (i) enroll your Accounts with your Utility so that we can supply those Accounts, (ii) aggregate your Accounts with other end users, (iii) receive usage information from Your Utility for the Accounts and (iv) enter into agreements with your Utility as necessary under the Utility’s tariff to facilitate supply as set forth herein. You also give us the authority to supply you with the source of your natural gas from whatever source we choose. You acknowledge that transportation service is subject to Gas Customer Choice Program as approved by the Michigan Public Service Commission.

**2. Term.** This Agreement will become effective and binding on both of us after we have both signed the Agreement. We will supply your Account(s) with natural gas beginning with your \_\_\_\_\_, 20\_\_ invoice through your \_\_\_\_\_, 20\_\_ invoice. **Supply of natural gas under this Agreement is conditioned upon our verification of the accuracy of all the information that you provide to us regarding your natural gas usage and the Account(s) and enrollment of Customer into the Gas Customer Choice Program by CNEG.**

**3. Termination.** Customer has the right to terminate participation at any time, provided, however that if Customer elects to terminate prior to the expiration of this Agreement, it shall pay to CNEG a “Termination Fee.” The Termination Fee shall compensate CNEG for volumes secured by CNEG on Customer’s behalf and not delivered to Customer. The Termination Fee shall be calculated by multiplying the projected future volume (based on customer’s actual historical usage) by the greater of (i) twenty cents (\$0.20) per Mcf or (ii) the difference in the per Mcf price in this Agreement and the “Market Price”, where the Market Price shall be the average of the New York Mercantile Exchange (NYMEX) contract settlement price plus basis cost for each month remaining in this Agreement.

**4. Price.** The price for the Customer’s volume of gas to be purchased under this program shall be Fixed at    XXX    Dollars and    XXX    Cents (\$    X.XX   ) per Mcf.

**5. Billing.** You authorize us to act as pay agent if deemed necessary by us to facilitate seamless billing. Customer will be invoiced by the Utility for all charges applicable to your natural gas usage, including the rates set forth herein, applicable Taxes (which are passed through to you) and all applicable Utility charges for delivery/distribution/ transportation.

**6. Definitions:**

**“Delivery Point”** means existing and future points of interconnection between your Utility transmission and/or distribution system and those of a third party pipeline supplying natural gas to the Utility.

**“Utility”** means your local natural gas distribution utility owning and/or controlling and maintaining the distribution system required for delivery of natural gas to the Account(s).

**7. Notices.** All notices will be in writing and delivered by hand, certified mail, return receipt requested, or by express carrier to our respective business addresses as indicated below. Either of us can change our address by notice to the other pursuant to this paragraph.

**8. Changes in law, market structure, and/or your natural gas needs or classifications.** If a change in or implementation of law, rule, regulation, ordinance, statute, judicial decision, administrative order or Utility tariffs causes our costs under this Agreement to increase, we will have the right, to pass such increased costs on to you. The changes described in this Section may change any or all the charges described in this Agreement.

**9. Delivery Point.** We will deliver natural gas to the Delivery Point. Title and risk of loss related to the natural gas transfer to you at the Delivery Point, and you are responsible for all transmission, distribution, and other costs (including Taxes and other fees) related to the final delivery to the facilities to which the Accounts relate as well as your use of the natural gas. While we will arrange for the delivery of natural gas to you by your Utility, we will have no liability or responsibility for matters within the control of the Utility, which include maintenance of pipelines and systems, service interruptions, loss of service, deterioration of services, or meter readings.

**10. Miscellaneous.** A facsimile copy with your signature will be considered an original for all purposes, and you will provide original signed copies upon request. We are not providing advice regarding “commodity interests”, including futures contracts and commodity options or any other matter, which would cause us to be a commodity trading advisor under the U.S. Commodity Exchange Act, as amended. Customer’s purpose in entering into this Agreement is not speculation, but rather price volatility control and/or budget management for procurement of natural gas for one or more of its facilities.

For all issues regarding service (e.g. gas odor, leaks, and billing questions) call Consumers Energy at (800) 477-5050.

**I acknowledge that I am the account holder or Legally Authorized Person to execute a contract and legally bind the business in this Agreement. I understand that by signing this Agreement, I am switching the gas Supplier for this commercial account to CNEG. I understand that gas purchased for this commercial account by CNEG will be delivered through Consumers Energy Company’s delivery system. The Legally Authorized Person to execute a contract and legally bind the business in this Agreement has 14 days after today to cancel this Agreement for any reason through written or verbal notification to CNEG. I may waive this right of cancellation by affirmatively agreeing to this waiver on this Agreement.**

\_\_\_\_\_ I agree to waive my 14 day right to cancel this Agreement.  
(Customer initials)

**If you terminated your contract today, and if the unconditional cancellation period did not apply, based on current gas prices and your historical usage, a good-faith estimate of your Termination Fee would be \$ . This Termination Fee is subject to change as your usage and the market price of gas fluctuate.**

**CNEG:**  
Constellation NewEnergy – Gas Division, LLC

**Customer:**  
\_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title \_\_\_\_\_

**Customer Information**

Service Address on Consumers Energy Bill

Mailing Address (If Different)

Name: \_\_\_\_\_

\_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

City, State ZIP: \_\_\_\_\_

\_\_\_\_\_

Consumer Energy POD Number: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Email Address: \_\_\_\_\_

Estimated Annual Usage: \_\_\_\_\_ Mcf

**For Internal Use Only:**

Sales Agent ID:

\_\_\_\_\_

Phone: \_\_\_\_\_

\_\_\_\_\_

Address:

**Regional Office:**

Constellation NewEnergy-Gas Division, LLC  
3060 Commerce Drive  
Suite 4  
Fort Gratiot, MI 48059  
Phone: (800) 558-1198  
Fax: (810) 385-1799  
becki.grabowski@constellation.com

**Corporate Headquarters:**

Constellation NewEnergy-Gas Division, LLC  
9960 Corporate Campus Drive  
Suite 2000  
Louisville, KY 40223  
Phone: (800) 900-1982  
Fax: (502) 426-8800

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

March 9, 2011

**CHANGE NOTICE NO. 2**

**TO**

**CONTRACT NO. 071B0200334**

**between**

**THE STATE OF MICHIGAN**

**and**

NAME & ADDRESS OF CONTRACTOR <b>Constellation NewEnergy – Gas Division, LLC</b> <b>9960 Corporate Campus Drive, Suite 2000</b> <b>Louisville, KY 40223</b>  <b>Email: Becki.Grabowski@constellation.com</b>	TELEPHONE (810-385-1198) <b>Becki Grabowski</b>
	CONTRACTOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-8530 <b>Rebecca Nevai</b>
CONTRACT COMPLIANCE INSPECTOR: Rebecca Nevai <b>NATURAL GAS SUPPLY MANAGEMENT - DTMB</b>	
CONTRACT PERIOD: From: <b>April 1, 2012</b> To: <b>March 31, 2015</b>	
TERMS <b>Net 45</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**THIS CONTRACT IS EXTENDED TO MEMBERS OF THE STATE OF MICHIGAN ENERGY PURCHASING COOPERATIVE ONLY FOR NATURAL GAS TRANSPORT.**

**THIS CONTRACT IS EXTENDED TO MIDEAL MEMBERS FOR NATURAL GAS CUSTOMER CHOICE.**

**NATURE OF CHANGE(S):**

**Effective March 9, 2011 the following changes are hereby made to this contract:**

**The following new section text is hereby added to Exhibit A Standard Terms and Conditions of this contract.**

**2.302 Extended Purchasing**

**A MiDEAL Requirements**

(1) The Contractor must ensure that all purchasers are MiDEAL Members before extending the Contract pricing. A current listing of approved MiDEAL Members is available at: [www.michigan.gov/mideal](http://www.michigan.gov/mideal).

(2) The Contractor must submit quarterly reports of MiDEAL Member purchasing activities to DTMB-Purchasing Operations.

(3) To the extent that MiDEAL Members purchase Deliverable(s) under this Contract, the quantities of Deliverable(s) purchased will be included in determining the appropriate rate wherever tiered pricing based on quantity is provided, as applicable.

(4) The Contractor must submit invoices to and receive payment from MiDEAL Members, or its designee, on a direct and individual basis.

The contract start date is revised to April 1, 2012, and the corresponding expiration date is revised to March 31, 2015.

The following State contacts are revised:

Buyer and 2.021 Contract Administrator  
Rebecca Nevai  
Purchasing Operations  
Department of Technology, Management  
and Budget  
Mason Bldg., 2<sup>nd</sup> Floor  
P.O. Box 30026  
Lansing, MI 48909  
Email: [nevair@michigan.gov](mailto:nevair@michigan.gov)  
Phone 517-373-8530

Rebecca Nevai  
Purchasing Operations  
Department of Technology, Management  
and Budget  
Mason Bldg., 2<sup>nd</sup> Floor  
P.O. Box 30026  
Lansing, MI 48909  
Email: [nevair@michigan.gov](mailto:nevair@michigan.gov)  
Phone 517-373-8530

2.022 Contract Compliance Inspectors  
Nancy Moon  
MoonLighting Consulting  
Office Phone: 248-620-5223  
Mobile Phone: 248-891-0646  
Fax: 248-620-3032  
Email: [MoonScreen@aol.com](mailto:MoonScreen@aol.com)

2.023 Project Manager  
Genevieve Hayes  
Purchasing Operations  
Department of Technology, Management  
and Budget  
Mason Bldg., 2<sup>nd</sup> Floor  
P.O. Box 30026  
Lansing, MI 48909  
Email: [hayesg2@michigan.gov](mailto:hayesg2@michigan.gov)  
Phone: 517-335-4730

Linda Lepeak  
Office of Financial Services  
Department of Technology, Management  
and Budget  
Cass Building, 2<sup>nd</sup> Floor  
P.O. Box 30026  
Lansing, MI 48909  
(517) 373-8825  
[LepeakL@michigan.gov](mailto:LepeakL@michigan.gov)

2.025 Notices  
Rebecca Nevai  
Purchasing Operations  
Department of Technology, Management  
and Budget  
Mason Bldg., 2<sup>nd</sup> Floor  
P.O. Box 30026  
Lansing, MI 48909  
Phone 517-373-8530

**AUTHORITY/REASON(S):**

Per vendor and agency agreement, DTMB Purchasing Operations and the approval of the State Administrative Board on March 1, 2011.

**TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$0.00**

**071B0200334  
Change Notice No. 2  
Signature Block**

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**FOR THE CONTRACTOR:**

Constellation NewEnergy – Gas Division LLC

Firm Name

Authorized Agent Signature

Authorized Agent (Print or Type)

Date

**FOR THE STATE:**

Signature

**Genevieve Hayes, Manager**

Name/Title

**Purchasing Operations**

Division

Date

**STATE OF MICHIGAN**  
**DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET**      **January 10, 2011**  
**PURCHASING OPERATIONS**  
**P.O. BOX 30026, LANSING, MI 48909**  
 OR  
**530 W. ALLEGAN, LANSING, MI 48933**

**CHANGE NOTICE NO. 1**  
**TO**  
**CONTRACT NO. 071B0200334**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR <b>Constellation NewEnergy</b> <b>Gas Division, LLC</b> <b>9960 Corporate Campus Drive, Suite 2000</b> <b>Louisville, KY 40223</b> <b>Email: Becki.Grabowski@constellation.com</b>		TELEPHONE: Beckie Grabowski <b>(810) 385-1198</b>
		CONTRACTOR NUMBER/MAIL CODE
		BUYER/CA (517) 335-1559 <b>Anthony J. Des Chenes</b>
Contract Compliance Inspector: Anthony J. Des Chenes <b>Natural Gas Supply Management - DTMB</b>		
CONTRACT PERIOD: <b>3 yrs. + 2 one-year options</b> From: <b>December 13, 2010</b> To: <b>August 2, 2013</b>		
TERMS	<b>Net 45</b>	SHIPMENT <b>N/A</b>
F.O.B.	<b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>		
MISCELLANEOUS INFORMATION:		

**THIS CONTRACT IS EXTENDED TO MEMBERS OF THE STATE OF MICHIGAN ENERGY PURCHASING COOPERATIVE ONLY.**

**NATURE OF CHANGE(S):**

**Effective immediately Section 2.130 Insurance, 2.131 Liability Insurance is hereby CHANGED per the attached.**

**In addition the Contract Compliance Inspector is CHANGED to Anthony J. Des Chenes.**

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

**AUTHORITY/REASON:**

**Per Vendor's Certificate of Liability Insurance and DTMB Purchasing Operations approval.**

## **2.130 Insurance**

### 2.131 LIABILITY INSURANCE

The Contractor must provide proof of the minimum levels of insurance coverage as indicated below. The insurance must protect the State from claims which may arise out of or result from the Contractor's performance of services under the terms of this Contract, whether the services are performed by the Contractor, or by any Subcontractor, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable.

The Contractor waives all rights against the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents for recovery of damages to the extent these damages are covered by the insurance policies the Contractor is required to maintain under this Contract.

All insurance coverages provided relative to this Contract/Purchase Order are PRIMARY and NON-CONTRIBUTING to any comparable liability insurance (including self-insurances) carried by the State.

The insurance must be written for not less than any minimum coverage specified in this Contract or required by law, whichever is greater.

The insurers selected by Contractor must have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if the ratings are no longer available, with a comparable rating from a recognized insurance rating agency. All policies of insurance required in this Contract must be issued by companies that have been approved to do business in the State.

See [www.michigan.gov/dleg](http://www.michigan.gov/dleg).

Where specific limits are shown, they are the minimum acceptable limits. If Contractor's policy contains higher limits, the State must be entitled to coverage to the extent of the higher limits.

The Contractor is required to pay for and provide the type and amount of insurance checked  below:

1. Commercial General Liability with the following minimum coverage:

\$2,000,000 General Aggregate Limit other than Products/Completed Operations

\$2,000,000 Products/Completed Operations Aggregate Limit

\$1,000,000 Personal & Advertising Injury Limit

\$1,000,000 Each Occurrence Limit

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSURED on the Commercial General Liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

2. If a motor vehicle is used to provide services or products under this Contract, the Contractor must have vehicle liability insurance on any auto including owned, hired and non-owned vehicles used in Contractor's business for bodily injury and property damage as required by law.

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSURED on the vehicle liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

3. Workers' compensation coverage must be provided according to applicable laws governing the employees and employers work activities in the state of the Contractor's domicile. If the applicable coverage is provided by a self-insurer, proof must be provided of approved self-insured authority by the jurisdiction of domicile. For employees working outside of the state of qualification, Contractor must provide appropriate certificates of insurance proving mandated coverage levels for the jurisdictions where the employees' activities occur.

Any certificates of insurance received must also provide a list of states where the coverage is applicable.

The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company. This provision must not be applicable where prohibited or limited by the laws of the jurisdiction in which the work is to be performed.

4. Employers liability insurance with the following minimum limits:

\$100,000 each accident  
\$100,000 each employee by disease  
\$500,000 aggregate disease

5. Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of one million dollars (\$1,000,000.00) with a maximum deductible of fifty thousand dollars (\$50,000.00).

6. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars (\$10,000,000.00), which must apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.

7. Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: three million dollars (\$3,000,000.00) each occurrence and three million dollars (\$3,000,000.00) annual aggregate.

8. Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under this Contract, and the equipment, software and other contents of the office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to its replacement value, where the office space and its contents are under the care, custody and control of Contractor. The policy must cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State must be endorsed on the policy as a loss payee as its interests appear.

#### 2.132 SUBCONTRACTOR INSURANCE COVERAGE

Except where the State has approved in writing a Contractor subcontract with other insurance provisions, Contractor must require all of its Subcontractors under this Contract to purchase and maintain the insurance coverage as described in this Section for the Contractor in connection with the performance of work by those Subcontractors. Alternatively, Contractor may include any Subcontractors under Contractor's insurance on the coverage required in this Section. Subcontractor(s) must fully comply with the insurance coverage required in this Section. Failure of Subcontractor(s) to comply with insurance requirements does not limit Contractor's liability or responsibility.

#### 2.133 CERTIFICATES OF INSURANCE AND OTHER REQUIREMENTS

Contractor must furnish to DTMB-PurchOps, certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "Certificates"). The

Certificate must be on the standard "accord" form or equivalent. **THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING.** All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) must contain a provision indicating that coverages afforded under the policies WILL NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED without 30 days prior written notice, except for 10 days for non-payment of premium, having been given to the Director of Purchasing Operations, Department of Management and Budget. The notice must include the Contract or Purchase Order number affected. Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, the Contractor must provide evidence that the State and its agents, officers and employees are listed as additional insureds under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

The Contractor must maintain all required insurance coverage throughout the term of the Contract and any extensions and, in the case of claims-made Commercial General Liability policies, must secure tail coverage for at least three years following the expiration or termination for any reason of this Contract. The minimum limits of coverage specified above are not intended, and must not be construed, to limit any liability or indemnity of Contractor under this Contract to any indemnified party or other persons. Contractor is responsible for all deductibles with regard to the insurance. If the Contractor fails to pay any premium for required insurance as specified in this Contract, or if any insurer cancels or significantly reduces any required insurance as specified in this Contract without the State's written consent, then the State may, after the State has given the Contractor at least 30 days written notice, pay the premium or procure similar insurance coverage from another company or companies. The State may deduct any part of the cost from any payment due the Contractor, or the Contractor must pay that cost upon demand by the State.

**STATE OF MICHIGAN**  
**DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET** December 28, 2010  
**PURCHASING OPERATIONS**  
**P.O. BOX 30026, LANSING, MI 48909**  
 OR  
**530 W. ALLEGAN, LANSING, MI 48933**

**NOTICE**  
**OF**  
**CONTRACT NO. 071B0200334**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR <b>Constellation NewEnergy</b> <b>Gas Division, LLC</b> <b>9960 Corporate Campus Drive, Suite 2000</b> <b>Louisville, KY 40223</b> <b>Email: Becki.Grabowski@constellation.com</b>		TELEPHONE: Beckie Grabowski <b>(810) 385-1198</b>
		CONTRACTOR NUMBER/MAIL CODE
		BUYER/CA (517) 335-1559 <b>Anthony J. Des Chenes</b>
Contract Compliance Inspector: Seleana Samuel <b>Natural Gas Supply Management - DTMB</b>		
CONTRACT PERIOD: 3 yrs. + 2 one-year options From: <b>December 13, 2010</b> To: <b>August 2, 2013</b>		
TERMS <p style="text-align: center;"><b>Net 45</b></p>	SHIPMENT <p style="text-align: center;"><b>N/A</b></p>	
F.O.B. <p style="text-align: center;"><b>N/A</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:		

**THIS CONTRACT IS EXTENDED TO MEMBERS OF THE STATE OF MICHIGAN ENERGY PURCHASING COOPERATIVE ONLY.**

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

**CONTRACT NO. 071B0200334**  
**between**  
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NAME & ADDRESS OF CONTRACTOR <b>Constellation NewEnergy</b> <b>Gas Division</b> <b>9960 Corporate Campus Drive, Suite 2000</b> <b>Louisville, KY 40223</b> Email: <a href="mailto:Becki.Grabowski@constellation.com">Becki.Grabowski@constellation.com</a>	TELEPHONE: Beckie Grabowski <b>(810) 385-1198</b> CONTRACTOR NUMBER/MAIL CODE BUYER/CA (517) 335-1559 <b>Anthony J. Des Chenes</b>
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MISCELLANEOUS INFORMATION:  <p style="text-align: center;"><b>THIS CONTRACT IS EXTENDED TO MEMBERS OF THE STATE OF MICHIGAN ENERGY PURCHASING COOPERATIVE ONLY.</b></p>	

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

<b>FOR THE CONTRACTOR:</b>  <b>Constellation NewEnergy</b> Firm Name	<b>FOR THE STATE:</b>  Signature <b>Anthony J. Des Chenes, Director</b> Name/Title
Authorized Agent Signature	<b>Commodities Division, Purchasing Operations</b> Division
Authorized Agent (Print or Type)	Date
Date	Date





General Terms and Conditions  
Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.7.

**The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" as indicated on the Base Contract.**

**Oral Transaction Procedure:**

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.

**Written Transaction Procedure:**

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract. However, nothing herein shall be construed as a waiver of any objection to the admissibility of such evidence.

SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

2.1. "Alternative Damages" shall mean such damages, expressed in dollars or dollars per MMBtu, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.



- 2.2. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein and any Special Provisions and addendum(s) as identified on page one.
- 2.3. "British thermal unit" or "Btu" shall mean the International BTU, which is also called the Btu (IT).
- 2.4. "Business Day" shall mean any day except Saturday, Sunday or Federal Reserve Bank holidays.
- 2.5. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received or, if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.
- 2.6. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.
- 2.7. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract, (ii) any and all binding Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not been confirmed in a binding Transaction Confirmation.
- 2.8. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.
- 2.9. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as agreed to by the parties in a transaction.
- 2.10. "Cover Standard", as referred to in Section 3.2, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing party shall use commercially reasonable efforts to (i) if Buyer is the performing party, obtain Gas, (or an alternate fuel if elected by Buyer and replacement Gas is not available), or (ii) if Seller is the performing party, sell Gas, in either case, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the nonperforming party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the nonperforming party.
- 2.11. "Credit Support Obligation(s)" shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as an irrevocable standby letter of credit, a margin agreement, a prepayment, a security interest in an asset, a performance bond, guaranty, or other good and sufficient security of a continuing nature.
- 2.12. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.
- 2.13. "Delivery Period" shall be the period during which deliveries are to be made as agreed to by the parties in a transaction.
- 2.14. "Delivery Point(s)" shall mean such point(s) as are agreed to by the parties in a transaction.
- 2.15. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.
- 2.16. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm", provided that a party's excuse for nonperformance of its obligations to deliver or receive Gas will be governed by the rules of the relevant futures exchange regulated under the Commodity Exchange Act.
- 2.17. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.
- 2.18. "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.
- 2.19. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.
- 2.20. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.
- 2.21. "MMBtu" shall mean one million British thermal units, which is equivalent to one dekatherm.
- 2.22. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.



- 2.23. "Payment Date" shall mean a date, as indicated on the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.
- 2.24. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.
- 2.25. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.
- 2.26. "Spot Price " as referred to in Section 3.2 shall mean the price listed in the publication indicated on the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.
- 2.27. "Transaction Confirmation" shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction formed pursuant to Section 1 for a particular Delivery Period.
- 2.28. "Termination Option" shall mean the option of either party to terminate a transaction in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.
- 2.29. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular transaction.

**SECTION 3. PERFORMANCE OBLIGATION**

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed to by the parties in a transaction.

**The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.**

**Cover Standard:**

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the sole and exclusive remedy of the performing party shall be any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s). Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

**Spot Price Standard:**

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

3.3. Notwithstanding Section 3.2, the parties may agree to Alternative Damages in a Transaction Confirmation executed in writing by both parties.



3.4. In addition to Sections 3.2 and 3.3, the parties may provide for a Termination Option in a Transaction Confirmation executed in writing by both parties. The Transaction Confirmation containing the Termination Option will designate the length of nonperformance triggering the Termination Option and the procedures for exercise thereof, how damages for nonperformance will be compensated, and how liquidation costs will be calculated.

**SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES**

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior Notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas, then Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

**SECTION 5. QUALITY AND MEASUREMENT**

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

**SECTION 6. TAXES**

**The parties have selected either "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as indicated on the Base Contract.**

**Buyer Pays At and After Delivery Point:**

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

**Seller Pays Before and At Delivery Point:**

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

**SECTION 7. BILLING, PAYMENT, AND AUDIT**

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 Days after receipt of the invoice by Buyer; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with this Section 7.2.

7.3. In the event payments become due pursuant to Sections 3.2 or 3.3, the performing party may submit an invoice to the nonperforming party for an accelerated payment setting forth the basis upon which the invoiced amount was calculated. Payment from the nonperforming party will be due five Business Days after receipt of invoice.

7.4. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section.



7.5. If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

7.6. A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.

7.7. Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

**SECTION 8. TITLE, WARRANTY, AND INDEMNITY**

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 14.8, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

**SECTION 9. NOTICES**

9.1. All Transaction Confirmations, invoices, payments and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

**SECTION 10. FINANCIAL RESPONSIBILITY**

10.1. If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Y), X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount and for the term reasonably acceptable to X, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or a performance bond or guaranty (including the issuer of any such security).

10.2. In the event (each an "Event of Default") either party (the "Defaulting Party") or its guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to



the other party with respect to any Credit Support Obligations relating to the Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; or (viii) not have paid any amount due the other party hereunder on or before the second Business Day following written Notice that such payment is due; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.

10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the "Early Termination Date") for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a "Terminated Transaction". On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law or that are, in the reasonable opinion of the Non-Defaulting Party, commercially impracticable to liquidate and terminate ("Excluded Transactions"), which Excluded Transactions must be liquidated and terminated as soon thereafter as is reasonably practicable, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

**The parties have selected either "Early Termination Damages Apply" or "Early Termination Damages Do Not Apply" as indicated on the Base Contract.**

**Early Termination Damages Apply:**

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value, so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend the term of a transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

**Early Termination Damages Do Not Apply:**

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.

**The parties have selected either "Other Agreement Setoffs Apply" or "Other Agreement Setoffs Do Not Apply" as indicated on the Base Contract.**

**Other Agreement Setoffs Apply:**

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff (i) any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract; or (ii) any Net Settlement Amount payable to the Defaulting Party against any amount(s) payable by the Defaulting Party to the Non-Defaulting Party under any other agreement or arrangement between the parties.

**Other Agreement Setoffs Do Not Apply:**



10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract.

10.3.3. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of such amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party's remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

**SECTION 11. FORCE MAJEURE**

11.1. Except with regard to a party's obligation to make payment(s) due under Section 7, Section 10.4, and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of Firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary, in-path, Firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Agreement; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.



11.6. Notwithstanding Sections 11.2 and 11.3, the parties may agree to alternative Force Majeure provisions in a Transaction Confirmation executed in writing by both parties.

**SECTION 12. TERM**

This Contract may be terminated on 30 Day's written Notice, but shall remain in effect until the expiration of the latest Delivery Period of any transaction(s). The rights of either party pursuant to Section 7.6 and Section 10, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

**SECTION 13. LIMITATIONS**

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

**SECTION 14. MISCELLANEOUS**

14.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party (and shall not relieve the assigning party from liability hereunder), which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

14.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

14.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

14.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective transaction(s). This Contract may be amended only by a writing executed by both parties.

14.5. The interpretation and performance of this Contract shall be governed by the laws of the jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

14.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or transaction or any provisions thereof.

14.7. There is no third party beneficiary to this Contract.

14.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

14.9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

14.10. Unless the parties have elected on the Base Contract not to make this Section 14.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, or (iv) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted



hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

In the event that disclosure is required by a governmental body or applicable law, the party subject to such requirement may disclose the material terms of this Contract to the extent so required, but shall promptly notify the other party, prior to disclosure, and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

14.11 The parties may agree to dispute resolution procedures in Special Provisions attached to the Base Contract or in a Transaction Confirmation executed in writing by both parties.

**Section 15.00**

**Exhibit A – Transaction Confirmation**

**Article 2 – Standard Terms and Conditions**

**Exhibit C – Pricing Guidelines & Scope of Work Revised 5/11/06**

**DISCLAIMER:** The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this Contract by any party. **NAESB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAESB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAESB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.**



**Exhibit A**  
**Standard Terms and Conditions**

**2.000 Contract Structure and Term**

2.001 CONTRACT TERM

This Contract is for a period of 3 years beginning August 3, 2010 through August 2, 2013 All outstanding Purchase Orders must also expire upon the termination (cancellation for any of the reasons listed in **Section 2.150**) of the Contract, unless otherwise extended under the Contract. Absent an early termination for any reason, Transaction Orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

2.002 OPTIONS TO RENEW

This Contract may be renewed in writing by mutual agreement of the parties not less than 30 days before its expiration. The Contract may be renewed for up to 2 (two) additional one year period.

2.003 LEGAL EFFECT

Contractor shall show acceptance of this Contract by signing two copies of the Contract and returning them to the Contract Administrator. The Contractor shall not proceed with the performance of the work to be done under the Contract, including the purchase of necessary materials, until both parties have signed the Contract to show acceptance of its terms, and the Contractor receives a transaction order that authorizes and defines specific performance requirements.

Except as otherwise agreed in writing by the parties, the State assumes no liability for costs incurred by Contractor or payment under this Contract, until Contractor is notified in writing that this Contract (or Change Order) has been approved by the State Administrative Board (if required), approved and signed by all the parties, and a Transaction Order against the Contract has been issued.

2.004 ATTACHMENTS & EXHIBITS

All Attachments and Exhibits affixed to any and all Statement(s) of Work, or appended to or referencing this Contract, are incorporated in their entirety and form part of this Contract.

2.005 ORDERING DELETED NOT APPLICABLE

2.006 ORDER OF PRECEDENCE DELETED NOT APPLICABLE

2.007 HEADINGS

Captions and headings used in the Contract are for information and organization purposes. Captions and headings, including inaccurate references, do not, in any way, define or limit the requirements or terms and conditions of the Contract.

2.008 FORM, FUNCTION & UTILITY DELETED NOT APPLICABLE

2.009 REFORMATION AND SEVERABILITY

Each provision of the Contract is severable from all other provisions of the Contract and, if one or more of the provisions of the Contract is declared invalid, the remaining provisions of the Contract remain in full force and effect.

2.010 CONSENTS AND APPROVALS

Except as expressly provided otherwise in the Contract, if either party requires the consent or approval of the other party for the taking of any action under the Contract, the consent or approval must be in writing and must not be unreasonably withheld or delayed.



2.011 NO WAIVER OF DEFAULT

If a party fails to insist upon strict adherence to any term of the Contract then the party has not waived the right to later insist upon strict adherence to that term, or any other term, of the Contract.

2.012 SURVIVAL

Any provisions of the Contract that impose continuing obligations on the parties, including without limitation the parties' respective warranty, indemnity and confidentiality obligations, survive the expiration or termination of the Contract for any reason. Specific references to survival in the Contract are solely for identification purposes and not meant to limit or prevent the survival of any other section.

**2.020 Contract Administration**

2.021 ISSUING OFFICE

This Contract is issued by the Department of Management and Budget, Purchasing Operations and (collectively, including all other relevant State of Michigan departments and agencies, the "State"). Purchasing Operations is the sole point of contact in the State with regard to all procurement and contractual matters relating to the Contract. Purchasing Operations **is the only State office authorized to change, modify, amend, alter or clarify the prices, specifications, terms and conditions of this Contract.** The Contractor Administrator within Purchasing Operations for this Contract is:

Anthony J. Des Chenes  
 Purchasing Operations  
 Department of Management and Budget  
 Mason Bldg, 2nd Floor  
 PO Box 30026  
 Lansing, MI 48909  
 Deschenesa1@michigan.gov  
 517-335-1559

2.022 CONTRACT COMPLIANCE INSPECTOR (CCI)

After DTMB-PurchOps receives the properly executed Contract, it is anticipated that the Director of Purchasing Operations will direct the person named below, or any other person so designated, to monitor and coordinate the activities for the Contract on a day-to-day basis during its term. However, monitoring of this Contract implies **no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of the Contract as that authority is retained by DTMB Purchasing Operations.** The Contract Compliance Inspector for this Contract is:

Anthony J. Des Chenes  
 Department of Management & Budget  
 530 West Allegan  
 deschenesa1@michigan.gov  
 517-335-1559

2.023 PROJECT MANAGER

The following individual will oversee the project:

Nancy Moon  
 MoonLighting Consulting  
 office 248-620-5223  
 fax 248-620-3032  
 mobile 248-891-0646  
 e-mail [MoonScreen@aol.com](mailto:MoonScreen@aol.com)



2.024 CHANGE REQUESTS

The State reserves the right to request from time to time any changes to the requirements and specifications of this Contract and the work to be performed by the Contractor under this Contract. During the course of ordinary business, it may become necessary for the State to discontinue certain business practices or create Additional Services/Deliverables. At a minimum, to the extent applicable, the State would like the Contractor to provide a detailed outline of all work to be done, including tasks necessary to accomplish the services/deliverables, timeframes, listing of key personnel assigned, estimated hours for each individual per task, and a complete and detailed cost justification.

If the Contractor does not so notify the State, the Contractor has no right to claim thereafter that it is entitled to additional compensation for performing that service or providing that deliverable.

Change Requests:

- (a) By giving Contractor written notice within a reasonable time, the State must be entitled to accept a Contractor proposal for Change, to reject it, or to reach another agreement with Contractor. Should the parties agree on carrying out a Change, a written Contract Change Notice must be prepared and issued under this Contract, describing the Change and its effects on the Services and any affected components of this Contract (a "Contract Change Notice").
- (b) No proposed Change must be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the Department of Management and Budget, Purchasing Operations.
- (c) If the State requests or directs the Contractor to perform any activities that Contractor believes constitute a Change, the Contractor must notify the State that it believes the requested activities are a Change before beginning to work on the requested activities. If the Contractor fails to notify the State before beginning to work on the requested activities, then the Contractor waives any right to assert any claim for additional compensation or time for performing the requested activities. If the Contractor commences performing work outside the scope of this Contract and then ceases performing that work, the Contractor must, at the request of the State, retract any out-of-scope work that would adversely affect this Contract.

2.025 NOTICES

Any notice given to a party under this Contract must be deemed effective, if addressed to the party as addressed below, upon: (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile if a copy of the notice is sent by another means specified in this Section; (iii) the third Business Day after being sent by U.S. mail, postage pre-paid, return receipt requested; or (iv) the next Business Day after being sent by a nationally recognized overnight express courier with a reliable tracking system.

State:  
 State of Michigan  
 Purchasing Operations  
 Attention: Seleana Samuel  
 PO Box 30026  
 530 West Allegan  
 Lansing, Michigan 48909

Contractor:  
 Constellation NewEnergy  
 3060 Commerce Drive Suite 4  
 Fort Gratiot, MI 48059  
 810-385-1198

Either party may change its address where notices are to be sent by giving notice according to this Section.



2.026 BINDING COMMITMENTS

Representatives of Contractor must have the authority to make binding commitments on Contractor's behalf within the bounds set forth in the table. Contractor may change the representatives from time to time upon written notice.

2.027 RELATIONSHIP OF THE PARTIES

The relationship between the State and Contractor is that of client and independent contractor. No agent, employee, or servant of Contractor or any of its Subcontractors must be or must be deemed to be an employee, agent or servant of the State for any reason. Contractor will be solely and entirely responsible for its acts and the acts of its agents, employees, servants and Subcontractors during the performance of this Contract.

2.028 COVENANT OF GOOD FAITH

Each party must act reasonably and in good faith. Unless stated otherwise in this Contract, the parties will not unreasonably delay, condition or withhold the giving of any consent, decision or approval that is either requested or reasonably required of them in order for the other party to perform its responsibilities under this Contract.

2.029 ASSIGNMENTS

(a) Neither party may assign this Contract, or assign or delegate any of its duties or obligations under this Contract, to any other party (whether by operation of law or otherwise), without the prior written consent of the other party; provided, however, that the State may assign this Contract to any other State agency, department, division or department without the prior consent of Contractor and Contractor may assign this Contract to an affiliate so long as the affiliate is adequately capitalized and can provide adequate assurances that the affiliate can perform this Contract. The State may withhold consent from proposed assignments, subcontracts, or novations when the transfer of responsibility would operate to decrease the State's likelihood of receiving performance on this Contract or the State's ability to recover damages.

(b) Contractor may not, without the prior written approval of the State, assign its right to receive payments due under this Contract. If the State permits an assignment, this Contractor is not relieved of its responsibility to perform any of its contractual duties, and the requirement under this Contract that all payments must be made to one entity continues.

(c) If the Contractor intends to assign this Contract or any of the Contractor's rights or duties under this Contract, the Contractor must notify the State in writing at least 90 days before the assignment. The Contractor also must provide the State with adequate information about the assignee within a reasonable amount of time before the assignment for the State to determine whether to approve the assignment.

**2.030 General Provisions**

2.031 MEDIA RELEASES

News releases (including promotional literature and commercial advertisements) pertaining to the BID DOCUMENT and Contract or project to which it relates shall not be made without prior written State approval, and then only in accordance with the explicit written instructions from the State. No results of the activities associated with the BID DOCUMENT and Contract are to be released without prior written approval of the State and then only to persons designated.

2.032 CONTRACT DISTRIBUTION

Purchasing Operations retains the sole right of Contract distribution to all State agencies and local units of government unless other arrangements are authorized by Purchasing Operations.



2.033 PERMITS

Contractor must obtain and pay any associated costs for all required governmental permits, licenses and approvals for the delivery, installation and performance of the Services. The State must pay for all costs and expenses incurred in obtaining and maintaining any necessary easements or right of way.

2.034 WEBSITE INCORPORATION

The State is not bound by any content on the Contractor’s website, even if the Contractor’s documentation specifically referenced that content and attempts to incorporate it into any other communication, unless the State has actual knowledge of the content and has expressly agreed to be bound by it in a writing that has been manually signed by an authorized representative of the State.

2.035 FUTURE BIDDING PRECLUSION

Contractor acknowledges that, to the extent this Contract involves the creation, research, investigation or generation of a future BID DOCUMENT, it may be precluded from bidding on the subsequent BID DOCUMENT. The State reserves the right to disqualify any Bidder if the State determines that the Bidder has used its position (whether as an incumbent Contractor, or as a Contractor hired to assist with the BID DOCUMENT development, or as a Vendor offering free assistance) to gain a competitive advantage on the BID DOCUMENT.

2.036 FREEDOM OF INFORMATION

All information in any proposal submitted to the State by Contractor and this Contract is subject to the provisions of the Michigan Freedom of Information Act, 1976 Public Act No. 442, as amended, MCL 15.231, et seq (the “FOIA”).

2.037 DISASTER RECOVERY

Contractor and the State recognize that the State provides essential services in times of natural or man-made disasters. Therefore, except as so mandated by Federal disaster response requirements, Contractor personnel dedicated to providing Services/Deliverables under this Contract will provide the State with priority service for repair and work around in the event of a natural or man-made disaster.

**2.040 Financial Provisions**

2.041 FIXED PRICES FOR SERVICES/DELIVERABLES

Each Statement of Work or Purchase Order issued under this Contract shall specify (or indicate by reference to the appropriate Contract Exhibit) the firm, fixed prices for all Services/Deliverables, and the associated payment milestones and payment amounts. The State may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by this Contract Administrator, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

2.042 ADJUSTMENTS FOR REDUCTIONS IN SCOPE OF SERVICES/DELIVERABLES

If the scope of the Services/Deliverables under any Statement of Work issued under this Contract is subsequently reduced by the State, the parties shall negotiate an equitable reduction in Contractor’s charges under such Statement of Work commensurate with the reduction in scope.

2.043 SERVICES/DELIVERABLES COVERED

For all Services/Deliverables to be provided by Contractor (and its Subcontractors, if any) under this Contract, the State shall not be obligated to pay any amounts in addition to the charges specified in this Contract.



2.044 INVOICING AND PAYMENT – IN GENERAL DELETED NOT APPLICABLE

2.045 PRO-RATION DELETED NOT APPLICABLE

2.046 ANTITRUST ASSIGNMENT

The Contractor assigns to the State any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services supplied by third parties to the Contractor, toward fulfillment of this Contract.

2.047 FINAL PAYMENT

The making of final payment by the State to Contractor does not constitute a waiver by either party of any rights or other claims as to the other party’s continuing obligations under this Contract, nor will it constitute a waiver of any claims by one party against the other arising from unsettled claims or failure by a party to comply with this Contract, including claims for Services and Deliverables not reasonably known until after acceptance to be defective or substandard. Contractor’s acceptance of final payment by the State under this Contract shall constitute a waiver of all claims by Contractor against the State for payment under this Contract, other than those claims previously filed in writing on a timely basis and still unsettled.

2.048 ELECTRONIC PAYMENT REQUIREMENT

Electronic transfer of funds is required for payments on State Contracts. Contractors are required to register with the State electronically at <http://www.cpexpress.state.mi.us>. As stated in Public Act 431 of 1984, all contracts that the State enters into for the purchase of goods and services shall provide that payment will be made by electronic fund transfer (EFT).

**2.050 Taxes**

2.051 EMPLOYMENT TAXES

Contractors are expected to collect and pay all applicable federal, state, and local employment taxes, including the taxes.

2.052 SALES AND USE TAXES

Contractors are required to be registered and to remit sales and use taxes on taxable sales of tangible personal property or services delivered into the State. Contractors that lack sufficient presence in Michigan to be required to register and pay tax must do so as a volunteer. This requirement extends to: (1) all members of any controlled group as defined in § 1563(a) of the Internal Revenue Code and applicable regulations of which the company is a member, and (2) all organizations under common control as defined in § 414(c) of the Internal Revenue Code and applicable regulations of which the company is a member that make sales at retail for delivery into the State are registered with the State for the collection and remittance of sales and use taxes. In applying treasury regulations defining “two or more trades or businesses under common control” the term “organization” means sole proprietorship, a partnership (as defined in § 701(a)(2) of the Internal Revenue Code), a trust, an estate, a corporation, or a limited liability company.

**2.060 Contract Management**

2.061 CONTRACTOR PERSONNEL QUALIFICATIONS

All persons assigned by Contractor to the performance of Services under this Contract must be employees of Contractor or its majority-owned (directly or indirectly, at any tier) subsidiaries (or a State-approved Subcontractor) and must be fully qualified to perform the work assigned to them. Contractor must include a similar provision in any subcontract entered into with a Subcontractor. For the purposes of this Contract, independent contractors engaged by Contractor solely in a staff augmentation role must be treated by the State as if they were employees of Contractor for this Contract only; however,



the State understands that the relationship between Contractor and Subcontractor is an independent contractor relationship.

2.062 CONTRACTOR KEY PERSONNEL

- (a) The Contractor must provide the Contract Compliance Inspector with the names of the Key Personnel.
- (b) Key Personnel must be dedicated as defined in the Statement of Work to the Project for its duration in the applicable Statement of Work with respect to other individuals designated as Key Personnel for that Statement of Work.
- (c) The State will have the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor will notify the State of the proposed assignment, will introduce the individual to the appropriate State representatives, and will provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval. In the event the State finds a proposed individual unacceptable, the State will provide a written explanation including reasonable detail outlining the reasons for the rejection.
- (d) Contractor must not remove any Key Personnel from their assigned roles on the Contract without the prior written consent of the State. The Contractor’s removal of Key Personnel without the prior written consent of the State is an unauthorized removal (“Unauthorized Removal”). Unauthorized Removals does not include replacing Key Personnel for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation or for cause termination of the Key Personnel’s employment. Unauthorized Removals does not include replacing Key Personnel because of promotions or other job movements allowed by Contractor personnel policies or Collective Bargaining Agreement(s) as long as the State receives prior written notice before shadowing occurs and Contractor provides 30 days of shadowing unless parties agree to a different time period. The Contractor with the State must review any Key Personnel replacements, and appropriate transition planning will be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its termination and cancellation rights.
- (e) The Contractor must notify the Contract Compliance Inspector and the Contract Administrator at least 10 business days before redeploying non-Key Personnel, who are dedicated to primarily to the Project, to other projects. If the State does not object to the redeployment by its scheduled date, the Contractor may then redeploy the non-Key Personnel.

2.063 RE-ASSIGNMENT OF PERSONNEL AT THE STATE’S REQUEST

The State reserves the right to require the removal from the Project of Contractor personnel found, in the judgment of the State, to be unacceptable. The State’s request must be written with reasonable detail outlining the reasons for the removal request. Additionally, the State’s request must be based on legitimate, good-faith reasons. Replacement personnel for the removed person must be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed personnel, the State agrees to an equitable adjustment in schedule or other terms that may be affected by the State’s required removal. If any incident with removed personnel results in delay not reasonably anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Service will not be counted for a time as agreed to by the parties.

2.064 CONTRACTOR PERSONNEL LOCATION

All staff assigned by Contractor to work on the Contract will perform their duties either primarily at Contractor’s offices and facilities or at State facilities. Without limiting the generality of the foregoing, Key Personnel will, at a minimum, spend at least the amount of time on-site at State facilities as indicated in the applicable Statement of Work. Subject to availability, selected Contractor personnel may be assigned office space to be shared with State personnel.



2.065 CONTRACTOR IDENTIFICATION

Contractor employees must be clearly identifiable while on State property by wearing a State-issued badge, as required. Contractor employees are required to clearly identify themselves and the company they work for whenever making contact with State personnel by telephone or other means.

2.066 COOPERATION WITH THIRD PARTIES

Contractor agrees to cause its personnel and the personnel of any Subcontractors to cooperate with the State and its agents and other contractors including the State’s Quality Assurance personnel. As reasonably requested by the State in writing, the Contractor will provide to the State’s agents and other contractors reasonable access to Contractor’s Project personnel, systems and facilities to the extent the access relates to activities specifically associated with this Contract and will not interfere or jeopardize the safety or operation of the systems or facilities. The State acknowledges that Contractor’s time schedule for the Contract is very specific and agrees not to unnecessarily or unreasonably interfere with, delay or otherwise impede Contractor’s performance under this Contract with the requests for access.

2.067 CONTRACT MANAGEMENT RESPONSIBILITIES

The Contractor will be required to assume responsibility for all contractual activities, whether or not that Contractor performs them. Further, the State will consider the Contractor to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the anticipated Contract. If any part of the work is to be subcontracted, the Contract must include a list of Subcontractors, including firm name and address, contact person and a complete description of work to be subcontracted. The State reserves the right to approve Subcontractors and to require the Contractor to replace Subcontractors found to be unacceptable. The Contractor is totally responsible for adherence by the Subcontractor to all provisions of the Contract. Any change in Subcontractors must be approved by the State, in writing, prior to such change.

2.068 CONTRACTOR RETURN OF STATE EQUIPMENT/RESOURCES

The Contractor must return to the State any State-furnished equipment, facilities and other resources when no longer required for the Contract in the same condition as when provided by the State, reasonable wear and tear excepted.

**2.070 Subcontracting by Contractor**

2.071 CONTRACTOR FULL RESPONSIBILITY

Contractor shall have full responsibility for the successful performance and completion of all of the Services and Deliverables. The State will consider Contractor to be the sole point of contact with regard to all contractual matters under this Contract, including payment of any and all charges for Services and Deliverables.

2.072 STATE CONSENT TO DELEGATION

Contractor shall not delegate any duties under this Contract to a Subcontractor unless the Department of Management and Budget, Purchasing Operations has given written consent to such delegation. The State shall have the right of prior written approval of all Subcontractors and to require Contractor to replace any Subcontractors found, in the reasonable judgment of the State, to be unacceptable. The State’s request shall be written with reasonable detail outlining the reasons for the removal request. Additionally, the State’s request shall be based on legitimate, good-faith reasons. Replacement Subcontractor(s) for the removed Subcontractor shall be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed Subcontractor, the State will agree to an equitable adjustment in schedule or other terms that may be affected by the State’s required removal. If any such incident with a removed Subcontractor results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLA for the affected Work will not be counted in time agreed upon by the parties.



2.073 SUBCONTRACTOR BOUND TO CONTRACT

In any subcontracts entered into by Contractor for the performance of the Services, Contractor shall require the Subcontractor, to the extent of the Services to be performed by the Subcontractor, to be bound to Contractor by the terms of this Contract and to assume toward Contractor all of the obligations and responsibilities that Contractor, by this Contract, assumes toward the State. The State reserves the right to receive copies of and review all subcontracts, although Contractor may delete or mask any proprietary information, including pricing, contained in such contracts before providing them to the State. The management of any Subcontractor will be the responsibility of Contractor, and Contractor shall remain responsible for the performance of its Subcontractors to the same extent as if Contractor had not subcontracted such performance. Contractor shall make all payments to Subcontractors or suppliers of Contractor. Except as otherwise agreed in writing by the State and Contractor, the State will not be obligated to direct payments for the Services other than to Contractor. The State's written approval of any Subcontractor engaged by Contractor to perform any obligation under this Contract shall not relieve Contractor of any obligations or performance required under this Contract. Attached as **Exhibit A** is a list of the Subcontractors, if any, approved by the State as of the execution of this Contract, together with a copy of the applicable subcontract.

2.074 FLOW DOWN

Except where specifically approved in writing by the State on a case-by-case basis, Contractor shall flow down the obligations in **Sections 2.031, 2.060, 2.100, 2.110, 2.120, 2.130, 2.200** in all of its agreements with any Subcontractors.

2.075 COMPETITIVE SELECTION

The Contractor shall select Subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the Contract.

**2.080 State Responsibilities**

2.081 EQUIPMENT DELETED NOT APPLICABLE

2.082 FACILITIES DELETED NOT APPLICABLE

**2.090 Security**

2.091 BACKGROUND CHECKS DELETED NOT APPLICABLE

2.092 SECURITY BREACH NOTIFICATION

If the Contractor breaches this Section, the Contractor must (i) promptly cure any deficiencies and (ii) comply with any applicable federal and state laws and regulations pertaining to unauthorized disclosures. Contractor and the State will cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor must report to the State in writing any use or disclosure of Confidential Information, whether suspected or actual, other than as provided for by the Contract within 10 days of becoming aware of the use or disclosure or the shorter time period as is reasonable under the circumstances.

2.093 PCI DATA SECURITY REQUIREMENTS DELETED NOT APPLICABLE

**2.100 Confidentiality**

2.101 CONFIDENTIALITY

Contractor and the State each acknowledge that the other possesses and will continue to possess confidential information that has been developed or received by it. As used in this Section, "Confidential Information" of Contractor must mean all non-public proprietary information of Contractor



(other than Confidential Information of the State as defined below) which is marked confidential, restricted, proprietary or with a similar designation. “Confidential Information” of the State must mean any information which is retained in confidence by the State (or otherwise required to be held in confidence by the State under applicable federal, state and local laws and regulations) or which, in the case of tangible materials provided to Contractor by the State under its performance under this Contract, is marked as confidential, proprietary or with a similar designation by the State. “Confidential Information” excludes any information (including this Contract) that is publicly available under the Michigan FOIA.

2.102 PROTECTION AND DESTRUCTION OF CONFIDENTIAL INFORMATION

The State and Contractor will each use at least the same degree of care to prevent disclosing to third parties the Confidential Information of the other as it employs to avoid unauthorized disclosure, publication or dissemination of its own confidential information of like character, but in no event less than reasonable care. Neither Contractor nor the State will (i) make any use of the Confidential Information of the other except as contemplated by this Contract, (ii) acquire any right in or assert any lien against the Confidential Information of the other, or (iii) if requested to do so, refuse for any reason to promptly return the other party's Confidential Information to the other party. Each party will limit disclosure of the other party's Confidential Information to employees and Subcontractors who must have access to fulfill the purposes of this Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under this Contract, (B) the disclosure is necessary or otherwise naturally occurs in connection with work that is within the Subcontractor's scope of responsibility, and (C) Contractor obligates the Subcontractor in a written Contract to maintain the State's Confidential Information in confidence. At the State's request, any employee of Contractor and of any Subcontractor having access or continued access to the State's Confidential Information may be required to execute an acknowledgment that the employee has been advised of Contractor's and the Subcontractor's obligations under this Section and of the employee's obligation to Contractor or Subcontractor, as the case may be, to protect the Confidential Information from unauthorized use or disclosure.

Promptly upon termination or cancellation of the Contract for any reason, Contractor must certify to the State that Contractor has destroyed all State Confidential Information.

2.103 EXCLUSIONS

Notwithstanding the foregoing, the provisions of **Section 2.100** will not apply to any particular information which the State or Contractor can demonstrate (i) was, at the time of disclosure to it, in the public domain; (ii) after disclosure to it, is published or otherwise becomes part of the public domain through no fault of the receiving party; (iii) was in the possession of the receiving party at the time of disclosure to it without an obligation of confidentiality; (iv) was received after disclosure to it from a third party who had a lawful right to disclose the information to it without any obligation to restrict its further disclosure; or (v) was independently developed by the receiving party without reference to Confidential Information of the furnishing party. Further, the provisions of **Section 2.100** will not apply to any particular Confidential Information to the extent the receiving party is required by law to disclose the Confidential Information, provided that the receiving party (i) promptly provides the furnishing party with notice of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of the disclosure as reasonably requested by the furnishing party.

2.104 NO IMPLIED RIGHTS

Nothing contained in this Section must be construed as obligating a party to disclose any particular Confidential Information to the other party, or as granting to or conferring on a party, expressly or impliedly, any right or license to the Confidential Information of the other party.



2.105 RESPECTIVE OBLIGATIONS

The parties' respective obligations under this Section must survive the termination or expiration of this Contract for any reason.

**2.110 Records and Inspections**

2.111 INSPECTION OF WORK PERFORMED

The State's authorized representatives must at all reasonable times and with 10 days prior written request, have the right to enter Contractor's premises, or any other places, where the Services are being performed, and must have access, upon reasonable request, to interim drafts of Deliverables or work-in-progress. Upon 10 Days prior written notice and at all reasonable times, the State's representatives must be allowed to inspect, monitor, or otherwise evaluate the work being performed and to the extent that the access will not reasonably interfere or jeopardize the safety or operation of the systems or facilities. Contractor must provide all reasonable facilities and assistance for the State's representatives.

2.112 EXAMINATION OF RECORDS

For seven years after the Contractor provides any work under this Contract (the "Audit Period"), the State may examine and copy any of Contractor's books, records, documents and papers pertinent to establishing Contractor's compliance with the Contract and with applicable laws and rules. The State must notify the Contractor 20 days before examining the Contractor's books and records. The State does not have the right to review any information deemed confidential by the Contractor to the extent access would require the confidential information to become publicly available. This provision also applies to the books, records, accounts, documents and papers, in print or electronic form, of any parent, affiliated or subsidiary organization of Contractor, or any Subcontractor of Contractor performing services in connection with the Contract.

2.113 RETENTION OF RECORDS

Contractor must maintain at least until the end of the Audit Period all pertinent financial and accounting records (including time sheets and payroll records, and information pertaining to the Contract and to the Services, equipment, and commodities provided under the Contract) pertaining to the Contract according to generally accepted accounting principles and other procedures specified in this Section. Financial and accounting records must be made available, upon request, to the State at any time during the Audit Period. If an audit, litigation, or other action involving Contractor's records is initiated before the end of the Audit Period, the records must be retained until all issues arising out of the audit, litigation, or other action are resolved or until the end of the Audit Period, whichever is later.

2.114 AUDIT RESOLUTION

If necessary, the Contractor and the State will meet to review each audit report promptly after issuance. The Contractor will respond to each audit report in writing within 30 days from receipt of the report, unless a shorter response time is specified in the report. The Contractor and the State must develop, agree upon and monitor an action plan to promptly address and resolve any deficiencies, concerns, and/or recommendations in the audit report.

2.115 ERRORS

(a) If the audit demonstrates any errors in the documents provided to the State, then the amount in error must be reflected as a credit or debit on the next invoice and in subsequent invoices until the amount is paid or refunded in full. However, a credit or debit may not be carried for more than four invoices. If a balance remains after four invoices, then the remaining amount will be due as a payment or refund within 45 days of the last quarterly invoice that the balance appeared on or termination of the contract, whichever is earlier.

(b) In addition to other available remedies, the difference between the payment received and the correct payment amount is greater than 10%, then the Contractor must pay all of the reasonable costs of the audit.



**2.120 Warranties**

2.121 WARRANTIES AND REPRESENTATIONS

The Contractor represents and warrants:

- (a) It is capable in all respects of fulfilling and must fulfill all of its obligations under this Contract. The performance of all obligations under this Contract must be provided in a timely, professional, and workman-like manner and must meet the performance and operational standards required under this Contract.
- (b) The Contract Appendices, Attachments and Exhibits identify the equipment and software and services necessary for the Deliverable(s) to perform and Services to operate in compliance with the Contract's requirements and other standards of performance.
- (c) It is the lawful owner or licensee of any Deliverable licensed or sold to the State by Contractor or developed by Contractor under this Contract, and Contractor has all of the rights necessary to convey to the State the ownership rights or licensed use, as applicable, of any and all Deliverables. None of the Deliverables provided by Contractor to the State under this Contract, nor their use by the State, will infringe the patent, copyright, trade secret, or other proprietary rights of any third party.
- (d) If, under this Contract, Contractor procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to Contractor's other responsibilities with respect to the items in this Contract, Contractor must assign or otherwise transfer to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.
- (e) The contract signatory has the power and authority, including any necessary corporate authorizations, necessary to enter into this Contract, on behalf of Contractor.
- (f) It is qualified and registered to transact business in all locations where required.
- (g) Neither the Contractor nor any Affiliates, nor any employee of either, has, must have, or must acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any manner or degree with Contractor's performance of its duties and responsibilities to the State under this Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. Contractor must notify the State about the nature of the conflict or appearance of impropriety within two days of learning about it.
- (h) Neither Contractor nor any Affiliates, nor any employee of either has accepted or must accept anything of value based on an understanding that the actions of the Contractor or Affiliates or employee on behalf of the State would be influenced. Contractor must not attempt to influence any State employee by the direct or indirect offer of anything of value.
- (i) Neither Contractor nor any Affiliates, nor any employee of either has paid or agreed to pay any person, other than bona fide employees and consultants working solely for Contractor or the Affiliate, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or making of this Contract.
- (j) The prices proposed by Contractor were arrived at independently, without consultation, communication, or agreement with any other Bidder for the purpose of restricting competition; the prices quoted were not knowingly disclosed by Contractor to any other Bidder; and no attempt was made by Contractor to induce any other person to submit or not submit a proposal for the purpose of restricting competition.



(k) All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the BID DOCUMENT or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial condition, and results of operations of Contractor as of the respective dates, or for the respective periods, covered by the financial statements, reports, other information. Since the respective dates or periods covered by the financial statements, reports, or other information, there have been no material adverse change in the business, properties, financial condition, or results of operations of Contractor.

(l) All written information furnished to the State by or for the Contractor in connection with this Contract, including its bid, is true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make the information not misleading.

(m) It is not in material default or breach of any other contract or agreement that it may have with the State or any of its departments, commissions, boards, or agencies. Contractor further represents and warrants that it has not been a party to any contract with the State or any of its departments that was terminated by the State or the department within the previous five years for the reason that Contractor failed to perform or otherwise breached an obligation of the contract.

(n) If any of the certifications, representations, or disclosures made in the Contractor's original bid response change after contract award, the Contractor is required to report those changes immediately to the Department of Management and Budget, Purchasing Operations.

2.122 WARRANTY OF MERCHANTABILITY DELETED NOT APPLICABLE

2.123 WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE

When the Contractor has reason to know or knows any particular purpose for which the goods are required, and the State is relying on the Contractor's skill or judgment to select or furnish suitable goods, there is a warranty that the goods are fit for such purpose.

2.124 WARRANTY OF TITLE

Contractor shall, in providing goods to the State, convey good title in those goods, whose transfer is right and lawful. All goods provided by Contractor shall be delivered free from any security interest, lien, or encumbrance of which the State, at the time of contracting, has no knowledge. Goods provided by Contractor, under this Contract, shall be delivered free of any rightful claim of any third person by of infringement or the like.

2.125 EQUIPMENT WARRANTY DELETED NOT APPLICABLE

2.126 EQUIPMENT TO BE NEW DELETED NOT APPLICABLE

2.127 PROHIBITED PRODUCTS DELETED NOT APPLICABLE

2.128 CONSEQUENCES FOR BREACH

In addition to any remedies available in law, if the Contractor breaches any of the warranties contained in this section, the breach may be considered as a default in the performance of a material obligation of this Contract.

**2.130 Insurance**

2.131 LIABILITY INSURANCE

The Contractor must provide proof of the minimum levels of insurance coverage as indicated below. The insurance must protect the State from claims which may arise out of or result from the Contractor's performance of services under the terms of this Contract, whether the services are performed by the



Contractor, or by any Subcontractor, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable.

The Contractor waives all rights against the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents for recovery of damages to the extent these damages are covered by the insurance policies the Contractor is required to maintain under this Contract.

All insurance coverages provided relative to this Contract/Purchase Order are PRIMARY and NON-CONTRIBUTING to any comparable liability insurance (including self-insurances) carried by the State.

The insurance must be written for not less than any minimum coverage specified in this Contract or required by law, whichever is greater.

The insurers selected by Contractor must have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if the ratings are no longer available, with a comparable rating from a recognized insurance rating agency. All policies of insurance required in this Contract must be issued by companies that have been approved to do business in the State.

See [www.michigan.gov/dleg](http://www.michigan.gov/dleg).

Where specific limits are shown, they are the minimum acceptable limits. If Contractor's policy contains higher limits, the State must be entitled to coverage to the extent of the higher limits.

The Contractor is required to pay for and provide the type and amount of insurance checked  below:

- 1. Commercial General Liability with the following minimum coverage:
  - \$2,000,000 General Aggregate Limit other than Products/Completed Operations
  - \$2,000,000 Products/Completed Operations Aggregate Limit
  - \$1,000,000 Personal & Advertising Injury Limit
  - \$1,000,000 Each Occurrence Limit

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the Commercial General Liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

- 2. If a motor vehicle is used to provide services or products under this Contract, the Contractor must have vehicle liability insurance on any auto including owned, hired and non-owned vehicles used in Contractor's business for bodily injury and property damage as required by law.

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the vehicle liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

- 3. Workers' compensation coverage must be provided according to applicable laws governing the employees and employers work activities in the state of the Contractor's domicile. If the applicable coverage is provided by a self-insurer, proof must be provided of approved self-insured authority by the jurisdiction of domicile. For employees working outside of the state of qualification, Contractor must provide appropriate certificates of insurance proving mandated coverage levels for the jurisdictions where the employees' activities occur.



Any certificates of insurance received must also provide a list of states where the coverage is applicable.

The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company. This provision must not be applicable where prohibited or limited by the laws of the jurisdiction in which the work is to be performed.

- 4. Employers liability insurance with the following minimum limits:
  - \$100,000 each accident
  - \$100,000 each employee by disease
  - \$500,000 aggregate disease
  
- 5. Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of one million dollars (\$1,000,000.00) with a maximum deductible of fifty thousand dollars (\$50,000.00).
  
- 6. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars (\$10,000,000.00), which must apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.
  
- 7. Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: three million dollars (\$3,000,000.00) each occurrence and three million dollars (\$3,000,000.00) annual aggregate.
  
- 8. Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under this Contract, and the equipment, software and other contents of the office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to its replacement value, where the office space and its contents are under the care, custody and control of Contractor. The policy must cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State must be endorsed on the policy as a loss payee as its interests appear.

2.132 SUBCONTRACTOR INSURANCE COVERAGE

Except where the State has approved in writing a Contractor subcontract with other insurance provisions, Contractor must require all of its Subcontractors under this Contract to purchase and maintain the insurance coverage as described in this Section for the Contractor in connection with the performance of work by those Subcontractors. Alternatively, Contractor may include any Subcontractors under Contractor’s insurance on the coverage required in this Section. Subcontractor(s) must fully comply with the insurance coverage required in this Section. Failure of Subcontractor(s) to comply with insurance requirements does not limit Contractor’s liability or responsibility.

2.133 CERTIFICATES OF INSURANCE AND OTHER REQUIREMENTS

Contractor must furnish to DTMB-PurchOps, certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the “Certificates”). The Certificate must be on the standard “accord” form or equivalent. **THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING.** All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) must contain a provision indicating that coverages afforded under the policies WILL NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED without 30 days prior written notice,



except for 10 days for non-payment of premium, having been given to the Director of Purchasing Operations, Department of Management and Budget. The notice must include the Contract or Purchase Order number affected. Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, the Contractor must provide evidence that the State and its agents, officers and employees are listed as additional insureds under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

The Contractor must maintain all required insurance coverage throughout the term of the Contract and any extensions and, in the case of claims-made Commercial General Liability policies, must secure tail coverage for at least three years following the expiration or termination for any reason of this Contract. The minimum limits of coverage specified above are not intended, and must not be construed, to limit any liability or indemnity of Contractor under this Contract to any indemnified party or other persons. Contractor is responsible for all deductibles with regard to the insurance. If the Contractor fails to pay any premium for required insurance as specified in this Contract, or if any insurer cancels or significantly reduces any required insurance as specified in this Contract without the State's written consent, then the State may, after the State has given the Contractor at least 30 days written notice, pay the premium or procure similar insurance coverage from another company or companies. The State may deduct any part of the cost from any payment due the Contractor, or the Contractor must pay that cost upon demand by the State.

**2.140 Indemnification**

2.141 GENERAL INDEMNIFICATION

To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from liability, including all claims and losses, and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties), accruing or resulting to any person, firm or corporation that may be injured or damaged by the Contractor in the performance of this Contract and that are attributable to the negligence or tortious acts of the Contractor or any of its Subcontractors, or by anyone else for whose acts any of them may be liable.

2.142 CODE INDEMNIFICATION

To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from any claim, loss, or expense arising from Contractor's breach of the No Surreptitious Code Warranty.

2.143 EMPLOYEE INDEMNIFICATION

In any claims against the State of Michigan, its departments, divisions, agencies, sections, commissions, officers, employees and agents, by any employee of the Contractor or any of its Subcontractors, the indemnification obligation under the Contract must not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its Subcontractors under worker's disability compensation acts, disability benefit acts or other employee benefit acts. This indemnification clause is intended to be comprehensive. Any overlap in provisions, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other provisions.

2.144 PATENT/COPYRIGHT INFRINGEMENT INDEMNIFICATION

To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State to the extent that the action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Contractor or its Subcontractors, or the



operation of the equipment, software, commodity or service, or the use or reproduction of any documentation provided with the equipment, software, commodity or service infringes any United States patent, copyright, trademark or trade secret of any person or entity, which is enforceable under the laws of the United States.

In addition, should the equipment, software, commodity, or service, or its operation, become or in the State's or Contractor's opinion be likely to become the subject of a claim of infringement, the Contractor must at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if the option is not reasonably available to the Contractor, (ii) replace or modify to the State's satisfaction the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing, or, if the option is not reasonably available to Contractor, (iii) accept its return by the State with appropriate credits to the State against the Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.

Notwithstanding the foregoing, the Contractor has no obligation to indemnify or defend the State for, or to pay any costs, damages or attorneys' fees related to, any claim based upon (i) equipment developed based on written specifications of the State; (ii) use of the equipment in a configuration other than implemented or approved in writing by the Contractor, including, but not limited to, any modification of the equipment by the State; or (iii) the combination, operation, or use of the equipment with equipment or software not supplied by the Contractor under this Contract.

2.145 CONTINUATION OF INDEMNIFICATION OBLIGATIONS

The Contractor's duty to indemnify under this Section continues in full force and effect, notwithstanding the expiration or early cancellation of the Contract, with respect to any claims based on facts or conditions that occurred before expiration or cancellation.

2.146 INDEMNIFICATION PROCEDURES

The procedures set forth below must apply to all indemnity obligations under this Contract.

(a) After the State receives notice of the action or proceeding involving a claim for which it will seek indemnification, the State must promptly notify Contractor of the claim in writing and take or assist Contractor in taking, as the case may be, any reasonable action to avoid the imposition of a default judgment against Contractor. No failure to notify the Contractor relieves the Contractor of its indemnification obligations except to the extent that the Contractor can prove damages attributable to the failure. Within 10 days following receipt of written notice from the State relating to any claim, the Contractor must notify the State in writing whether Contractor agrees to assume control of the defense and settlement of that claim (a "Notice of Election"). After notifying Contractor of a claim and before the State receiving Contractor's Notice of Election, the State is entitled to defend against the claim, at the Contractor's expense, and the Contractor will be responsible for any reasonable costs incurred by the State in defending against the claim during that period.

(b) If Contractor delivers a Notice of Election relating to any claim: (i) the State is entitled to participate in the defense of the claim and to employ counsel at its own expense to assist in the handling of the claim and to monitor and advise the State about the status and progress of the defense; (ii) the Contractor must, at the request of the State, demonstrate to the reasonable satisfaction of the State, the Contractor's financial ability to carry out its defense and indemnity obligations under this Contract; (iii) the Contractor must periodically advise the State about the status and progress of the defense and must obtain the prior written approval of the State before entering into any settlement of the claim or ceasing to defend against the claim and (iv) to the extent that any principles of Michigan governmental or public law may be involved or challenged, the State has the right, at its own expense, to control the defense of that portion of the claim involving the principles of Michigan governmental or public law. But the State may retain control of the defense and settlement of a claim by notifying the Contractor in writing within 10 days after the State's receipt of Contractor's information requested by the



State under clause (ii) of this paragraph if the State determines that the Contractor has failed to demonstrate to the reasonable satisfaction of the State the Contractor's financial ability to carry out its defense and indemnity obligations under this Section. Any litigation activity on behalf of the State, or any of its subdivisions under this Section, must be coordinated with the Department of Attorney General. In the event the insurer's attorney represents the State under this Section, the insurer's attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

(c) If Contractor does not deliver a Notice of Election relating to any claim of which it is notified by the State as provided above, the State may defend the claim in the manner as it may deem appropriate, at the cost and expense of Contractor. If it is determined that the claim was one against which Contractor was required to indemnify the State, upon request of the State, Contractor must promptly reimburse the State for all the reasonable costs and expenses.

**2.150 Termination/Cancellation**

2.151 NOTICE AND RIGHT TO CURE

If the Contractor breaches the contract, and the State in its sole discretion determines that the breach is curable, then the State will provide the Contractor with written notice of the breach and a time period (not less than 30 days) to cure the Breach. The notice of breach and opportunity to cure is inapplicable for successive or repeated breaches or if the State determines in its sole discretion that the breach poses a serious and imminent threat to the health or safety of any person or the imminent loss, damage, or destruction of any real or tangible personal property.

2.152 TERMINATION FOR CAUSE

(a) The State may terminate this contract, for cause, by notifying the Contractor in writing, if the Contractor (i) breaches any of its material duties or obligations under this Contract (including a Chronic Failure to meet any particular SLA), or (ii) fails to cure a breach within the time period specified in the written notice of breach provided by the State

(b) If this Contract is terminated for cause, the Contractor must pay all costs incurred by the State in terminating this Contract, including but not limited to, State administrative costs, reasonable attorneys' fees and court costs, and any reasonable additional costs the State may incur to procure the Services/Deliverables required by this Contract from other sources. Re-procurement costs are not consequential, indirect or incidental damages, and cannot be excluded by any other terms otherwise included in this Contract, provided the costs are not in excess of 50% more than the prices for the Service/Deliverables provided under this Contract.

(c) If the State chooses to partially terminate this Contract for cause, charges payable under this Contract will be equitably adjusted to reflect those Services/Deliverables that are terminated and the State must pay for all Services/Deliverables for which Final Acceptance has been granted provided up to the termination date. Services and related provisions of this Contract that are terminated for cause must cease on the effective date of the termination.

(d) If the State terminates this Contract for cause under this Section, and it is determined, for any reason, that Contractor was not in breach of contract under the provisions of this section, that termination for cause must be deemed to have been a termination for convenience, effective as of the same date, and the rights and obligations of the parties must be limited to that otherwise provided in this Contract for a termination for convenience.

2.153 TERMINATION FOR CONVENIENCE

The State may terminate this Contract for its convenience, in whole or part, if the State determines that a termination is in the State's best interest. Reasons for the termination must be left to the sole



discretion of the State and may include, but not necessarily be limited to (a) the State no longer needs the Services or products specified in the Contract, (b) relocation of office, program changes, changes in laws, rules, or regulations make implementation of the Services no longer practical or feasible, (c) unacceptable prices for Additional Services or New Work requested by the State, or (d) falsification or misrepresentation, by inclusion or non-inclusion, of information material to a response to any BID DOCUMENT issued by the State. The State may terminate this Contract for its convenience, in whole or in part, by giving Contractor written notice at least 30 days before the date of termination. If the State chooses to terminate this Contract in part, the charges payable under this Contract must be equitably adjusted to reflect those Services/Deliverables that are terminated. Services and related provisions of this Contract that are terminated for cause must cease on the effective date of the termination.

2.154 TERMINATION FOR NON-APPROPRIATION

(a) Contractor acknowledges that, if this Contract extends for several fiscal years, continuation of this Contract is subject to appropriation or availability of funds for this Contract. If funds to enable the State to effect continued payment under this Contract are not appropriated or otherwise made available, the State must terminate this Contract and all affected Statements of Work, in whole or in part, at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of termination to Contractor. The State must give Contractor at least 30 days advance written notice of termination for non-appropriation or unavailability (or the time as is available if the State receives notice of the final decision less than 30 days before the funding cutoff).

(b) If funding for the Contract is reduced by law, or funds to pay Contractor for the agreed-to level of the Services or production of Deliverables to be provided by Contractor are not appropriated or otherwise unavailable, the State may, upon 30 days written notice to Contractor, reduce the level of the Services or the change the production of Deliverables in the manner and for the periods of time as the State may elect. The charges payable under this Contract will be equitably adjusted to reflect any equipment, services or commodities not provided by reason of the reduction.

(c) If the State terminates this Contract, eliminates certain Deliverables, or reduces the level of Services to be provided by Contractor under this Section, the State must pay Contractor for all Work-in-Process performed through the effective date of the termination or reduction in level, as the case may be and as determined by the State, to the extent funds are available. This Section will not preclude Contractor from reducing or stopping Services/Deliverables or raising against the State in a court of competent jurisdiction, any claim for a shortfall in payment for Services performed or Deliverables finally accepted before the effective date of termination.

2.155 TERMINATION FOR CRIMINAL CONVICTION

The State may terminate this Contract immediately and without further liability or penalty in the event Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense related to a State, public or private Contract or subcontract.

2.156 TERMINATION FOR APPROVALS RESCINDED

The State may terminate this Contract if any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services under Constitution 1963, Article 11, § 5, and Civil Service Rule 7-1. In that case, the State will pay the Contractor for only the work completed to that point under the Contract. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in the written notice.



2.157 RIGHTS AND OBLIGATIONS UPON TERMINATION

(a) If the State terminates this Contract for any reason, the Contractor must (a) stop all work as specified in the notice of termination, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Deliverables or other property derived or resulting from this Contract that may be in Contractor's possession, (c) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (d) transfer title in, and deliver to, the State, unless otherwise directed, all Deliverables intended to be transferred to the State at the termination of the Contract and which are resulting from the Contract (which must be provided to the State on an "As-Is" basis except to the extent the amounts paid by the State in respect of the items included compensation to Contractor for the provision of warranty services in respect of the materials), and (e) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or termination settlement costs, to the maximum practical extent, including terminating or limiting as otherwise applicable those subcontracts and outstanding orders for material and supplies resulting from the terminated Contract.

(b) If the State terminates this Contract before its expiration for its own convenience, the State must pay Contractor for all charges due for Services provided before the date of termination and, if applicable, as a separate item of payment under this Contract, for Work In Process, on a percentage of completion basis at the level of completion determined by the State. All completed or partially completed Deliverables prepared by Contractor under this Contract, at the option of the State, becomes the State's property, and Contractor is entitled to receive equitable fair compensation for the Deliverables. Regardless of the basis for the termination, the State is not obligated to pay, or otherwise compensate, Contractor for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.

(c) Upon a good faith termination, the State may assume, at its option, any subcontracts and agreements for services and deliverables provided under this Contract, and may further pursue completion of the Services/Deliverables under this Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

2.158 RESERVATION OF RIGHTS

Any termination of this Contract or any Statement of Work issued under it by a party must be with full reservation of, and without prejudice to, any rights or remedies otherwise available to the party with respect to any claims arising before or as a result of the termination.

**2.160 Termination by Contractor**

2.161 TERMINATION BY CONTRACTOR

If the State breaches the Contract, and the Contractor in its sole discretion determines that the breach is curable, then the Contractor will provide the State with written notice of the breach and a time period (not less than 30 days) to cure the breach. The Notice of Breach and opportunity to cure is inapplicable for successive and repeated breaches.

The Contractor may terminate this Contract if the State (i) materially breaches its obligation to pay the Contractor undisputed amounts due and owing under this Contract, (ii) breaches its other obligations under this Contract to an extent that makes it impossible or commercially impractical for the Contractor to perform the Services, or (iii) does not cure the breach within the time period specified in a written notice of breach. But the Contractor must discharge its obligations under **Section 2.160** before it terminates the Contract.



**2.170 Transition Responsibilities**

2.171 CONTRACTOR TRANSITION RESPONSIBILITIES

If the State terminates this contract, for convenience or cause, or if the Contract is otherwise dissolved, voided, rescinded, nullified, expires or rendered unenforceable, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. If this Contract expires or terminates, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed 120 days. These efforts must include, but are not limited to, those listed in **Sections 2.141, 2.142, 2.143, 2.144, and 2.145.**

2.172 CONTRACTOR PERSONNEL TRANSITION

The Contractor must work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be accomplished by the parties, to effect an orderly transition. The Contractor must allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the services required by this Contract. In addition, during or following the transition period, in the event the State requires the Services of the Contractor’s Subcontractors or vendors, as necessary to meet its needs, Contractor agrees to reasonably, and with good-faith, work with the State to use the Services of Contractor’s Subcontractors or vendors. Contractor will notify all of Contractor’s Subcontractors of procedures to be followed during transition.

2.173 CONTRACTOR INFORMATION TRANSITION

The Contractor agrees to provide reasonable detailed specifications for all Services/Deliverables needed by the State, or specified third party, to properly provide the Services/Deliverables required under this Contract. The Contractor will provide the State with asset management data generated from the inception of this Contract through the date on which this Contractor is terminated in a comma-delimited format unless otherwise requested by the State. The Contractor will deliver to the State any remaining owed reports and documentation still in Contractor’s possession subject to appropriate payment by the State.

2.174 CONTRACTOR SOFTWARE TRANSITION

The Contractor must reasonably assist the State in the acquisition of any Contractor software required to perform the Services/use the Deliverables under this Contract. This must include any documentation being used by the Contractor to perform the Services under this Contract. If the State transfers any software licenses to the Contractor, those licenses must, upon expiration of the Contract, transfer back to the State at their current revision level. Upon notification by the State, Contractor may be required to freeze all non-critical changes to Deliverables/Services.

2.175 TRANSITION PAYMENTS

If the transition results from a termination for any reason, reimbursement must be governed by the termination provisions of this Contract. If the transition results from expiration, the Contractor will be reimbursed for all reasonable transition costs (i.e. costs incurred within the agreed period after contract expiration that result from transition operations) at the rates agreed upon by the State. The Contractor will prepare an accurate accounting from which the State and Contractor may reconcile all outstanding accounts.

2.176 STATE TRANSITION RESPONSIBILITIES

In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to perform the following obligations, and any others upon which the State and the Contractor agree:

- (a) Reconciling all accounts between the State and the Contractor;
- (b) Completing any pending post-project reviews.



**2.180 Stop Work**

- 2.181 STOP WORK ORDERS DELETED NOT APPLICABLE
- 2.182 CANCELLATION OR EXPIRATION OF STOP WORK ORDER DELETED NOT APPLICABLE
- 2.183 ALLOWANCE OF CONTRACTOR COSTS DELETED NOT APPLICABLE

**2.190 Dispute Resolution**

2.191 IN GENERAL

Any claim, counterclaim, or dispute between the State and Contractor arising out of or relating to the Contract or any Statement of Work must be resolved as follows. For all Contractor claims seeking an increase in the amounts payable to Contractor under the Contract, or the time for Contractor’s performance, Contractor must submit a letter, together with all data supporting the claims, executed by Contractor’s Contract Administrator or the Contract Administrator’s designee certifying that (a) the claim is made in good faith, (b) the amount claimed accurately reflects the adjustments in the amounts payable to Contractor or the time for Contractor’s performance for which Contractor believes the State is liable and covers all costs of every type to which Contractor is entitled from the occurrence of the claimed event, and (c) the claim and the supporting data are current and complete to Contractor’s best knowledge and belief.

2.192 INFORMAL DISPUTE RESOLUTION

- (a) All disputes between the parties must be resolved under the Contract Management procedures in this Contract. If the parties are unable to resolve any disputes after compliance with the processes, the parties must meet with the Director of Purchasing Operations, DTMB, or designee, for the purpose of attempting to resolve the dispute without the need for formal legal proceedings, as follows:
  - (i) The representatives of Contractor and the State must meet as often as the parties reasonably deem necessary to gather and furnish to each other all information with respect to the matter in issue which the parties believe to be appropriate and germane in connection with its resolution. The representatives must discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.
  - (ii) During the course of negotiations, all reasonable requests made by one party to another for non-privileged information reasonably related to the Contract will be honored in order that each of the parties may be fully advised of the other’s position.
  - (iii) The specific format for the discussions will be left to the discretion of the designated State and Contractor representatives, but may include the preparation of agreed upon statements of fact or written statements of position.
  - (iv) Following the completion of this process within 60 calendar days, the Director of Purchasing Operations, DTMB, or designee, must issue a written opinion regarding the issue(s) in dispute within 30 calendar days. The opinion regarding the dispute must be considered the State’s final action and the exhaustion of administrative remedies.
- (b) This Section will not be construed to prevent either party from instituting, and a party is authorized to institute, formal proceedings earlier to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or under **Section 2.193**.
- (c) The State will not mediate disputes between the Contractor and any other entity, except state agencies, concerning responsibility for performance of work under the Contract.

2.193 INJUNCTIVE RELIEF

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.192** is where a party makes a good faith determination that a breach of the terms of the Contract by the other party is the that the damages to the party resulting from the breach



will be so immediate, so large or severe and so incapable of adequate redress after the fact that a temporary restraining order or other immediate injunctive relief is the only adequate remedy.

2.194 CONTINUED PERFORMANCE

Each party agrees to continue performing its obligations under the Contract while a dispute is being resolved except to the extent the issue in dispute precludes performance (dispute over payment must not be deemed to preclude performance) and without limiting either party’s right to terminate the Contract as provided in **Section 2.150**, as the case may be.

**2.200 Federal and State Contract Requirements**

2.201 NONDISCRIMINATION

In the performance of the Contract, Contractor agrees not to discriminate against any employee or applicant for employment, with respect to his or her hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability. Contractor further agrees that every subcontract entered into for the performance of this Contract or any purchase order resulting from this Contract will contain a provision requiring non-discrimination in employment, as specified here, binding upon each Subcontractor. This covenant is required under the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, et seq., and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, et seq., and any breach of this provision may be regarded as a material breach of the Contract.

2.202 UNFAIR LABOR PRACTICES

Under 1980 PA 278, MCL 423.321, et seq., the State must not award a Contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled under section 2 of the Act. This information is compiled by the United States National Labor Relations Board. A Contractor of the State, in relation to the Contract, must not enter into a contract with a Subcontractor, manufacturer, or supplier whose name appears in this register. Under section 4 of 1980 PA 278, MCL 423.324, the State may void any Contract if, after award of the Contract, the name of Contractor as an employer or the name of the Subcontractor, manufacturer or supplier of Contractor appears in the register.

2.203 WORKPLACE SAFETY AND DISCRIMINATORY HARASSMENT

In performing Services for the State, the Contractor must comply with the Department of Civil Services Rule 2-20 regarding Workplace Safety and Rule 1-8.3 regarding Discriminatory Harassment. In addition, the Contractor must comply with Civil Service regulations and any applicable agency rules provided to the Contractor. For Civil Service Rules, see <http://www.mi.gov/mdcs/0,1607,7-147-6877---,00.html>.

2.204 PREVAILING WAGE DELETED NOT APPLICABLE

**2.210 Governing Law**

2.211 GOVERNING LAW

The Contract must in all respects be governed by, and construed according to, the substantive laws of the State of Michigan without regard to any Michigan choice of law rules that would apply the substantive law of any other jurisdiction to the extent not inconsistent with, or pre-empted by federal law.



2.212 COMPLIANCE WITH LAWS

Contractor shall comply with all applicable state, federal and local laws and ordinances in providing the Services/Deliverables.

2.213 JURISDICTION

Any dispute arising from the Contract must be resolved in the State of Michigan. With respect to any claim between the parties, Contractor consents to venue in Ingham County, Michigan, and irrevocably waives any objections it may have to the jurisdiction on the grounds of lack of personal jurisdiction of the court or the laying of venue of the court or on the basis of forum non conveniens or otherwise. Contractor agrees to appoint agents in the State of Michigan to receive service of process.

**2.220 Limitation of Liability**

2.221 LIMITATION OF LIABILITY

Neither the Contractor nor the State is liable to each other, regardless of the form of action, for consequential, incidental, indirect, or special damages. This limitation of liability does not apply to claims for infringement of United States patent, copyright, trademark or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of this Contract calling for liquidated damages; or to court costs or attorney’s fees awarded by a court in addition to damages after litigation based on this Contract.

**2.230 Disclosure Responsibilities**

2.231 DISCLOSURE OF LITIGATION

(a) Disclosure. Contractor must disclose any material criminal litigation, investigations or proceedings involving the Contractor (and each Subcontractor) or any of its officers or directors or any litigation, investigations or proceedings under the Sarbanes-Oxley Act. In addition, each Contractor (and each Subcontractor) must notify the State of any material civil litigation, arbitration or proceeding which arises during the term of the Contract and extensions, to which Contractor (or, to the extent Contractor is aware, any Subcontractor) is a party, and which involves: (i) disputes that might reasonably be expected to adversely affect the viability or financial stability of Contractor or any Subcontractor; or (ii) a claim or written allegation of fraud against Contractor or, to the extent Contractor is aware, any Subcontractor by a governmental or public entity arising out of their business dealings with governmental or public entities. The Contractor must disclose in writing to the Contract Administrator any litigation, investigation, arbitration or other proceeding (collectively, "Proceeding") within 30 days of its occurrence. Details of settlements which are prevented from disclosure by the terms of the settlement may be annotated. Information provided to the State from Contractor’s publicly filed documents referencing its material litigation will be deemed to satisfy the requirements of this Section.

(b) Assurances. If any Proceeding disclosed to the State under this Section, or of which the State otherwise becomes aware, during the term of this Contract would cause a reasonable party to be concerned about: (i) the ability of Contractor (or a Subcontractor) to continue to perform this Contract according to its terms and conditions, or (ii) whether Contractor (or a Subcontractor) in performing Services for the State is engaged in conduct which is similar in nature to conduct alleged in the Proceeding, which conduct would constitute a breach of this Contract or a violation of Michigan law, regulations or public policy, then the Contractor must provide the State all reasonable assurances requested by the State to demonstrate that: (a) Contractor and its Subcontractors will be able to continue to perform this Contract and any Statements of Work according to its terms and conditions, and (b) Contractor and its Subcontractors have not and will not engage in conduct in performing the Services which is similar in nature to the conduct alleged in the Proceeding.



(c) Contractor must make the following notifications in writing:

- (1) Within 30 days of Contractor becoming aware that a change in its ownership or officers has occurred, or is certain to occur, or a change that could result in changes in the valuation of its capitalized assets in the accounting records, Contractor must notify DTMB PurchOps.
- (2) Contractor must also notify DTMB PurchOps within 30 days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.
- (3) Contractor must also notify DTMB PurchOps within 30 days whenever changes to company affiliations occur.

2.232 CALL CENTER DISCLOSURE - DELETED NOT APPLICABLE

2.233 BANKRUPTCY

The State may, without prejudice to any other right or remedy, terminate this Contract, in whole or in part, and, at its option, may take possession of the "Work in Process" and finish the Works in Process by whatever appropriate method the State may deem expedient if:

- (a) the Contractor files for protection under the bankruptcy laws;
- (b) an involuntary petition is filed against the Contractor and not removed within 30 days;
- (c) the Contractor becomes insolvent or if a receiver is appointed due to the Contractor's insolvency;
- (d) the Contractor makes a general assignment for the benefit of creditors; or
- (e) the Contractor or its affiliates are unable to provide reasonable assurances that the Contractor or its affiliates can deliver the services under this Contract.

Contractor will fix appropriate notices or labels on the Work in Process to indicate ownership by the State. To the extent reasonably possible, materials and Work in Process must be stored separately from other stock and marked conspicuously with labels indicating ownership by the State.

**2.240 Performance**

**2.242 SERVICE LEVEL AGREEMENTS (SLAS) DELETED NOT APPLICABLE**

2.243 LIQUIDATED DAMAGES DELETED NOT APPLICABLE

2.244 EXCUSABLE FAILURE

Neither party will be liable for any default, damage or delay in the performance of its obligations under the Contract to the extent the default, damage or delay is caused by government regulations or requirements (executive, legislative, judicial, military or otherwise), power failure, electrical surges or current fluctuations, lightning, earthquake, war, water or other forces of nature or acts of God, delays or failures of transportation, equipment shortages, suppliers' failures, or acts or omissions of common carriers, fire; riots, civil disorders; strikes or other labor disputes, embargoes; injunctions (provided the injunction was not issued as a result of any fault or negligence of the party seeking to have its default or delay excused); or any other cause beyond the reasonable control of a party; provided the non-performing party and its Subcontractors are without fault in causing the default or delay, and the default or delay could not have been prevented by reasonable precautions and cannot reasonably be circumvented by the non-performing party through the use of alternate sources, workaroud plans or other means, including disaster recovery plans.

If a party does not perform its contractual obligations for any of the reasons listed above, the non-performing party will be excused from any further performance of its affected obligation(s) for as long as the circumstances prevail. But the party must use commercially reasonable efforts to recommence performance whenever and to whatever extent possible without delay. A party must promptly notify the other party in writing immediately after the excusable failure occurs, and also when it abates or ends.



If any of the above-enumerated circumstances substantially prevent, hinder, or delay the Contractor’s performance of the Services/provision of Deliverables for more than 10 Business Days, and the State determines that performance is not likely to be resumed within a period of time that is satisfactory to the State in its reasonable discretion, then at the State’s option: (a) the State may procure the affected Services/Deliverables from an alternate source, and the State is not be liable for payment for the unperformed Services/ Deliverables not provided under the Contract for so long as the delay in performance continues; (b) the State may terminate any portion of the Contract so affected and the charges payable will be equitably adjusted to reflect those Services/Deliverables terminated; or (c) the State may terminate the affected Statement of Work without liability to Contractor as of a date specified by the State in a written notice of termination to the Contractor, except to the extent that the State must pay for Services/Deliverables provided through the date of termination.

The Contractor will not have the right to any additional payments from the State as a result of any Excusable Failure occurrence or to payments for Services not rendered/Deliverables not provided as a result of the Excusable Failure condition. Defaults or delays in performance by Contractor which are caused by acts or omissions of its Subcontractors will not relieve Contractor of its obligations under the Contract except to the extent that a Subcontractor is itself subject to an Excusable Failure condition described above and Contractor cannot reasonably circumvent the effect of the Subcontractor’s default or delay in performance through the use of alternate sources, workaround plans or other means.

**2.250 Approval of Deliverables**

- 2.251 DELIVERY RESPONSIBILITIES DELETED NOT APPLICABLE
- 2.252 DELIVERY OF DELIVERABLES DELETED NOT APPLICABLE
- 2.253 TESTING DELETED NOT APPLICABLE
- 2.254 APPROVAL OF DELIVERABLES, IN GENERAL DELETED NOT APPLICABLE
- 2.255 PROCESS FOR APPROVAL OF WRITTEN DELIVERABLES DELETED NOT APPLICABLE
- 2.256 PROCESS FOR APPROVAL OF SERVICES DELETED NOT APPLICABLE
- 2.257 PROCESS FOR APPROVAL OF PHYSICAL DELIVERABLES DELETED NOT APPLICABLE
- 2.258 FINAL ACCEPTANCE DELETED NOT APPLICABLE

**2.260 Ownership**

- 2.261 OWNERSHIP OF WORK PRODUCT BY STATE

The State owns all Deliverables as they are works made for hire by the Contractor for the State. The State owns all United States and international copyrights, trademarks, patents or other proprietary rights in the Deliverables.

- 2.262 VESTING OF RIGHTS

With the sole exception of any preexisting licensed works identified in the SOW, the Contractor assigns, and upon creation of each Deliverable automatically assigns, to the State, ownership of all United States and international copyrights, trademarks, patents, or other proprietary rights in each and every Deliverable, whether or not registered by the Contractor, insofar as any the Deliverable, by operation of law, may not be considered work made for hire by the Contractor for the State. From time to time upon the State’s request, the Contractor must confirm the assignment by execution and delivery of the



assignments, confirmations of assignment, or other written instruments as the State may request. The State may obtain and hold in its own name all copyright, trademark, and patent registrations and other evidence of rights that may be available for Deliverables.

2.263 RIGHTS IN DATA

(a) The State is the owner of all data made available by the State to the Contractor or its agents, Subcontractors or representatives under the Contract. The Contractor will not use the State’s data for any purpose other than providing the Services, nor will any part of the State’s data be disclosed, sold, assigned, leased or otherwise disposed of to the general public or to specific third parties or commercially exploited by or on behalf of the Contractor. No employees of the Contractor, other than those on a strictly need-to-know basis, have access to the State’s data. Contractor will not possess or assert any lien or other right against the State’s data. Without limiting the generality of this Section, the Contractor must only use personally identifiable information as strictly necessary to provide the Services and must disclose the information only to its employees who have a strict need-to-know the information. The Contractor must comply at all times with all laws and regulations applicable to the personally identifiable information.

(b) The State is the owner of all State-specific data under the Contract. The State may use the data provided by the Contractor for any purpose. The State will not possess or assert any lien or other right against the Contractor’s data. Without limiting the generality of this Section, the State may use personally identifiable information only as strictly necessary to utilize the Services and must disclose the information only to its employees who have a strict need to know the information, except as provided by law. The State must comply at all times with all laws and regulations applicable to the personally identifiable information. Other material developed and provided to the State remains the State’s sole and exclusive property.

2.264 OWNERSHIP OF MATERIALS DELETED NOT APPLICABLE

**2.270 State Standards**

2.271 EXISTING TECHNOLOGY STANDARDS

The Contractor will adhere to all existing standards as described within the comprehensive listing of the State’s existing technology standards at <http://www.michigan.gov/dit>.

2.272 ACCEPTABLE USE POLICY

To the extent that Contractor has access to the State computer system, Contractor must comply with the State’s Acceptable Use Policy, see <http://www.michigan.gov/ditservice>. All Contractor employees must be required, in writing, to agree to the State’s Acceptable Use Policy before accessing the State system. The State reserves the right to terminate Contractor’s access to the State system if a violation occurs.

2.273 SYSTEMS CHANGES

Contractor is not responsible for and not authorized to make changes to any State systems without written authorization from the Project Manager. Any changes Contractor makes to State systems with the State’s approval must be done according to applicable State procedures, including security, access and configuration management procedures.



**2.280 Extended Purchasing Deleted Not Applicable**

**2.282 State Employee Purchases Deleted Not Applicable**

**2.290 Environmental Provision**

2.291 ENVIRONMENTAL PROVISION

Energy Efficiency Purchasing Policy – The State seeks wherever possible to purchase energy efficient products. This includes giving preference to U.S. Environmental Protection Agency (EPA) certified ‘Energy Star’ products for any category of products for which EPA has established Energy Star certification. For other purchases, the State may include energy efficiency as one of the priority factors to consider when choosing among comparable products.

Environmental Purchasing Policy – The State of Michigan is committed to encouraging the use of products and services that impact the environment less than competing products. The State is accomplishing this by including environmental considerations in purchasing decisions, while remaining fiscally responsible, to promote practices that improve worker health, conserve natural resources, and prevent pollution. Environmental components that are to be considered include: recycled content and recyclability; energy efficiency; and the presence of undesirable materials in the products, especially those toxic chemicals which are persistent and bioaccumulative. The Contractor should be able to supply products containing recycled and environmentally preferable materials that meet performance requirements and is encouraged to offer such products throughout the duration of this Contract. Information on any relevant third party certification (such as Green Seal, Energy Star, etc.) should also be provided.

Hazardous Materials:

For the purposes of this Section, “Hazardous Materials” is a generic term used to describe asbestos, ACBMs, PCBs, petroleum products, construction materials including paint thinners, solvents, gasoline, oil, and any other material the manufacture, use, treatment, storage, transportation or disposal of which is regulated by the federal, state or local laws governing the protection of the public health, natural resources or the environment. This includes, but is not limited to, materials the as batteries and circuit packs, and other materials that are regulated as (1) “Hazardous Materials” under the Hazardous Materials Transportation Act, (2) “chemical hazards” under the Occupational Safety and Health Administration standards, (3) “chemical substances or mixtures” under the Toxic Substances Control Act, (4) “pesticides” under the Federal Insecticide Fungicide and Rodenticide Act, and (5) “hazardous wastes” as defined or listed under the Resource Conservation and Recovery Act.

(a) The Contractor must use, handle, store, dispose of, process, transport and transfer any material considered a Hazardous Material according to all federal, State and local laws. The State must provide a safe and suitable environment for performance of Contractor’s Work. Before the commencement of Work, the State must advise the Contractor of the presence at the work site of any Hazardous Material to the extent that the State is aware of the Hazardous Material. If the Contractor encounters material reasonably believed to be a Hazardous Material and which may present a substantial danger, the Contractor must immediately stop all affected Work, notify the State in writing about the conditions encountered, and take appropriate health and safety precautions.

(b) Upon receipt of a written notice, the State will investigate the conditions. If (a) the material is a Hazardous Material that may present a substantial danger, and (b) the Hazardous Material was not brought to the site by the Contractor, or does not result in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Materials, the State must order a suspension of Work in writing. The State must proceed to have the Hazardous Material removed or rendered harmless. In the alternative, the State must terminate the affected Work for the State’s convenience.



(c) Once the Hazardous Material has been removed or rendered harmless by the State, the Contractor must resume Work as directed in writing by the State. Any determination by the Michigan Department of Community Health or the Michigan Department of Environmental Quality that the Hazardous Material has either been removed or rendered harmless is binding upon the State and Contractor for the purposes of resuming the Work. If any incident with Hazardous Material results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in time as mutually agreed by the parties.

(d) If the Hazardous Material was brought to the site by the Contractor, or results in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Material, or from any other act or omission within the control of the Contractor, the Contractor must bear its proportionate share of the delay and costs involved in cleaning up the site and removing and rendering harmless the Hazardous Material according to Applicable Laws to the condition approved by applicable regulatory agency(ies).

Michigan has a Consumer Products Rule pertaining to labeling of certain products containing volatile organic compounds. For specific details visit [http://www.michigan.gov/deq/0,1607,7-135-3310\\_4108-173523--,00.html](http://www.michigan.gov/deq/0,1607,7-135-3310_4108-173523--,00.html)

**Refrigeration and Air Conditioning:**

The Contractor shall comply with the applicable requirements of Sections 608 and 609 of the Clean Air Act (42 U.S.C. 7671g and 7671h) as each or both apply to this contract.

**Environmental Performance:**

Waste Reduction Program - Contractor shall establish a program to promote cost-effective waste reduction in all operations and facilities covered by this contract. The Contractor's programs shall comply with applicable Federal, State, and local requirements, specifically including Section 6002 of the Resource Conservation and Recovery Act (42 U.S.C. 6962, et seq.).

**2.300 Other Provisions**

**2.301 FORCED LABOR, CONVICT LABOR, FORCED OR INDENTURED CHILD LABOR, OR INDENTURED SERVITUDE MADE MATERIALS**

Equipment, materials, or supplies, that will be furnished to the State under the Contract must not be produced in whole or in part by forced labor, convict labor, forced or indentured child labor, or indentured servitude.

“Forced or indentured child labor” means all work or service: exacted from any person under the age of 18 under the menace of any penalty for its nonperformance and for which the worker does not offer himself voluntarily; or performed by any person under the age of 18 under a contract the enforcement of which can be accomplished by process or penalties.



**EXHIBIT B  
TRANSACTION CONFIRMATION  
FOR IMMEDIATE DELIVERY**

Letterhead/Logo	Date: _____, ____ Transaction Confirmation #: _____
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This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated \_\_\_\_\_. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.

<b>SELLER:</b> _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	<b>BUYER:</b> _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____
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Contract Price: \$ \_\_\_\_/MMBtu or \_\_\_\_\_

Delivery Period: Begin: \_\_\_\_\_, \_\_\_\_ End: \_\_\_\_\_, \_\_\_\_

**Performance Obligation and Contract Quantity:** (Select One)

<b>Firm (Fixed Quantity):</b> _____ MMBtus/day <input type="checkbox"/> EFP	<b>Firm (Variable Quantity):</b> _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	<b>Interruptible:</b> Up to _____ MMBtus/day
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**Delivery Point(s):** \_\_\_\_\_  
 (If a pooling point is used, list a specific geographic and pipeline location):

**Special Conditions:**

  
  
  

Seller: _____ By: _____ Title: _____ Date: _____	Buyer: _____ By: _____ Title: _____ Date: _____
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**Exhibit C  
Pricing Guidelines & Scope of Work**

**1.0 BACKGROUND**

The State of Michigan Energy Purchasing Cooperative (Cooperative) consists of State agencies, universities, community colleges, cities, counties, and k-12 public schools. The State of Michigan operates many facilities within the State that consume natural gas as their only or primary fuel source. During the term of the gas supply contract, other State agencies and public entities have the option to join the supply Energy Purchasing Cooperative, utilizing the natural gas contracts awarded by the State of Michigan.

The State may, per Act Number 431 of the Public Acts of 1984, create and operate a cooperative build purchasing program to include cities, villages, counties, townships, school districts, intermediate school districts, non-profit hospitals, institutions of higher learning, and community or junior colleges in the Energy Purchasing Cooperative.

The Cooperative Members are projected to consume approximately 4,000,000 MMBtu annually, to be delivered to various utility service territories. Cooperative Members participating monthly consumed 1,000,000 MMBtu during the calendar year 2009.

Tier 1 Sellers are pre-qualified to potentially supply all energy requirements of the Cooperative.

Tier 2 Sellers are pre-qualified to potentially supply partial energy requirements of the Cooperative.

**2.0 DEFINITIONS**

For purposes of this document, the following definitions will be used:

**A. Gas Options** are like owning an insurance policy. Options give the owner the right but not the obligation to purchase (or to sell) a natural gas contract at a defined price for a defined date. It is similar to an insurance policy in that the owner pays a premium and the financial market provides coverage.

**B. Standardized Financial Instruments** are a defined block of 10,000 MMBtu (10,000 MMBtu = 1 NYMEX contract) for a specified delivery month and price as outlined in the transaction. The fee for processing said transaction should be incorporated into the cost of the transaction. Examples of such instruments are Gas Options, Cap Prices, Fixed Prices, etc. These instruments can be purchased for a period such as one month or multiple months.

**C. NYMEX Settlement Price** shall mean the price established by the New York Mercantile Exchange (NYMEX) at the close of the trading session for the specified month.

**D. Point of Delivery** shall be the following City-gates: DTE Energy (MichCon), Consumers Energy Company (CEC), SEMCO Energy Company (SEMCO), and Aquila (MGU)

**E. Gas Price Index** shall mean the monthly index for said month published in the *Platts Gas Daily Price Guide*. For the CEC service area, the Upper Midwest, Consumer Energy city-gate is the reference price; for the MichCon service area, the Upper Midwest MichCon city-gate is the reference price; for the SEMCO facilities not serviced by Northern Natural Gas Company and for the MGU service area, the Upper Midwest, ANR Pipeline ML7 is the reference price; for the SEMCO facilities serviced by the Northern Natural Gas Company pipeline the reference index price will be Midpoint Average, Others, Northern, demark or other pricing point as defined in a Transaction Confirmation.



**F. Market Basis** shall be the difference between the NYMEX Settlement Price and the Gas Price Index for the Point of Delivery for the specified month.

**G. Default Pricing Structure** shall equal the Gas Price Index.

**H. Cap Price** is the maximum contracted price that the State of Michigan has agreed to pay for natural gas.

**I. Fixed Price** is the guaranteed gas price the State of Michigan has agreed to pay for a specified volume of gas to be delivered during a specified period.

**J. Pricing Structures** are the combination of the various Standardized Financial Structures that the State of Michigan has executed to determine the cost of natural gas for the customers participating in the gas program.

**K. Contracted Basis** shall be the Basis price for volumes purchased at NYMEX using a Standardized Financial Instrument. If a Contracted Basis is not executed for any Standardized Financial Instrument, the Contracted Basis will automatically equal the Market Basis.

**L. Utility** shall refer to the local distribution company servicing the participating facilities. For purposes of this agreement Utility shall refer to the Consumers Energy Company, DTE Energy (Mich Con Gas Company), SEMCO Energy Company (SEMCO), or Michigan Gas Utilities (MGU).

**M. Cooperative Members** can participate with 100% of their gas needs dedicated to the program or some volume less than 100%. Those Cooperative Members participating less than 100% must operate as follows: (1) defined gas supply volume in advance of the first of the month, (2) notify the Gas Supplier 5 working days prior to the start of the month the quantity of gas needed for the upcoming month, or (3) daily gas supply needs in the morning prior to the date of requested gas flow.

**N. Royalty-in-Kind** shall refer to the State's royalty share of natural gas produced from State owned natural gas well (s) on the land leased by the State through a competitive bid process. The State has the option to take its royalty "in-kind" (product) or "in-value" (cash).

**O. Seller Mark-up** shall mean a fee per MMBtu paid to the Seller for each MMBtu of gas sold to the Cooperative excluding the Outside Purchase Volumes and excluding the Special Pricing Volumes.

**P. Outside Purchase Volumes** shall mean the quantity of natural gas acquired by the Cooperative outside said agreement but said volumes are delivered during the term of said agreement.

**Q. Special Pricing Volumes** shall mean those volumes designated from time to time by the Cooperative to be purchased under separate pricing arrangements as agreed to between the Seller and the Buyer. Special Pricing Volumes and the associated pricing details are specified in Transaction Confirmations.

**R. Pooling Fee** shall mean a fee per MMBtu paid to the Seller for each MMBtu of gas consumed by the Cooperative within the SEMCO service area (excluding those participants serviced from the Great Lakes Gas Transmission system). The Cooperative does not have an aggregated contract arrangement with the utility company and therefore must utilize the customer pool of the Seller to meet the daily balancing requirements of SEMCO.

**S. Take or Pay** shall mean the payment by the State of Michigan to Seller for all the executed Transaction Confirmation volumes as detailed in an executed Transaction Confirmation regardless of whether or not the State of Michigan actually takes receipt of said volumes.



**3.0 SELLER’S SCOPE OF WORK – TIER 1**

A list of services to be completed by the Seller is identified. The services include, but are not limited to, the following:

**A.** The Seller shall forecast usage each month for the State of Michigan participating facilities and any public entity participating as a full requirements member. At a minimum of five (5) working days before the start of the month, Seller shall discuss and recommend nomination volumes through the State’s Energy Consultant (including the Cooperative member if the Cooperative Member desires to actively participate).

**B.** Prepare scheduling details and file nominations for delivery of required gas commodity to the Point Delivery for all members. Submit a summary of the first of month nominations filed with the Utilities for all the Cooperative Members to the State’s Energy Consultant.

**C.** Implement monthly or more frequently as needed monitoring procedures to eliminate shortfalls, over-deliveries, and avoid supply interruptions for all members.

**D.** Adhere to deadlines and other operating/procedural requirements as dictated by other companies associated with the Cooperative to avoid penalties and other unexpected costs.

**E.** Act as a liaison between the Cooperative members and the Utility in the event of curtailments and interruptions. Utilize alternate fuel capabilities to respond to Utility interruptions where possible. Ensure proper notice is given to participating facilities to transition from natural gas to alternate fuels.

**F.** Maintain a listing of participating facilities in the gas program, the energy contact person for each facility (name, phone, and fax), that provides meter read data and the status of alternate fuel,

**G.** The Seller shall submit to the State’s Energy Consultant the following monthly reports;

- (1) Within 5 days after the close of the month, a summary of the gas delivered to the various Utilities for each participant in the Cooperative shall be provided.
- (2) Within 5 days after the close of the month, a summary of any daily gas purchased completed during the month shall be provided.
- (3) Within 5 days after the start of a month, a summary of the initial nominations filed with the Utility for each participant in the Cooperative shall be provide.
- (4) At a period no less than bimonthly the Seller shall provide market intelligence reports containing information that the Seller may have available summarizing trends in the market for the forthcoming time periods. Such reports are to assist the Cooperative to make better-informed decisions regarding acquisition of natural gas.

At the request of the Contract Administrator and/or the State’s Energy Consultant, additional reporting may be required.

**H.** The Seller will assist the State in acquiring Standardized Financial Instruments as agreed to between the State (and/or the State’s Energy Consultant) and the Seller. The State (or the State’s Energy Consultant) will prepare within five (5) working days a Transaction Confirmation detailing the transaction completed and e-mail said document to the Seller. The Seller will mail two signed copies of the Transaction Confirmation to the State for further execution within 10 days of receipt of the Transaction Confirmation. The State will execute said document and return one original copy to the Seller.

**I.** The Seller and the Energy Consultant will catalogue all Standardized Financial Transactions. Five working days before the beginning of each month, the Seller and the Energy Consultant will confirm those transactions for the upcoming month.

**J.** There is no requirement as to the routes or levels of transportation service used by the Seller. However, the Seller is obligated to deliver the gas needs on a firm basis. Seller is responsible for any penalty charges incurred as a result of Seller’s choice of routes of gas transportation to the Point(s) of Delivery.



**K.** If Seller's nominations, imbalance trading, and delivery scheduling at any time results in the Cooperative being assessed penalties, the Seller shall reimburse all such costs within 30 days of notification.

**L.** Initially, gas supply pricing will be based on the Seller Mark-up plus the applicable Gas Price Index. After this contract is awarded, the Cooperative plans to make advanced purchases or other forms of risk management structures from the Seller (or gas suppliers on the Cooperative's Pre-Qualified Bidder's List). Such purchases could include but are not limited to ceiling prices, price collars, cross-commodity pricing and/or purchase at a fixed price. Such purchase negotiations could be any time after this contract is awarded. The Seller awarded this agreement shall be guaranteed a minimum annual usage of 1,800,000 MMBtu.

**M.** If during any given month, additional gas supply is needed (the lesser of the two pricing options) or excess gas supply must be sold (the higher of the two pricing options) during the month, the price for said transactions shall be one of the following: (1) the average of the daily prices reflected in the *platts Gas Daily*, Daily Price Survey or (2) the daily cash price. If a Cooperative Member has excess supply, during a given month, the Seller shall discuss the sale of said volumes with the State's Energy Consultant. If the excess supply is associated with Outside Purchase Volumes and/or Special Pricing Volumes belonging to the Cooperative Member, said volumes may be sold to another Cooperative Member if the sale is of economic benefit to both Cooperative Members.

**N.** The Seller will be required to coordinate with the gas producer delivering Royalty-in-Kind to the Cooperative. A Royalty-in-Kind Pilot Project is in progress. The Contract Administrator and/or the Energy Consultant will work with the Seller to understand and develop the process and procedures. Gas volumes delivered in conjunction with the Royalty-in-Kind Pilot Project is considerate those volumes

**O.** The Seller may be requested to attend meetings with the Cooperative and discuss such topics as gas purchasing strategies, gas pricing options, etc. The Cooperative meets periodically.

**P.** The Seller may contact the Cooperative Members directly to discuss daily operating issues, meter read information, and other dealings with the nominating and scheduling of the gas supply for the participant. Any such communications shall be summarized in writing and copied to the State's Energy Consultant. The Seller shall not directly contact a participant for other issues without first notifying the State Contract Administrator and/or the State's Energy Consultant.

**4.0. SELLER'S SCOPE OF WORK - TIER 2**

**A.** Prepare scheduling details and file nominations for delivery of required gas commodity to the Point Delivery as detailed in the fully executed Transaction Confirmation.

**B.** There is no requirement as to the routes or levels of transportation service used by the Seller. However, the Seller is obligated to deliver the gas needs on a firm basis. Seller is responsible for any penalty charges incurred as a result of Seller's choice of routes of gas transportation to the Point(s) of Delivery.

**C.** If Seller's nominations and delivery scheduling at any time results in the Cooperative being assessed penalties, the Seller shall reimburse all such costs within 30 days of notification.

**5.0 SELLER'S REIMBURSEMENT – TIER 1**

A. The State shall pay the Seller for gas supply and services each month in accordance with the following:

(Gas supply delivered to each Utility (usage in the case of SEMCO and MGU participants) less Outside Purchase Volumes less Special Pricing Volumes) multiplied by (Gas Price Index plus Seller Mark-up); plus if applicable,

Special Pricing Volumes multiplied by associated price designated in the Transaction Confirmation; plus if applicable,

Interstate demand charges (for those facilities within the SEMCO service territory provided both the Seller and Buyer agree to said charges); plus if applicable



Gas consumption for the SEMCO facilities (excluding those serviced by the Great Lakes Gas Transmission) multiplied by Pooling Fee; minus if applicable

Any penalty charges such as daily balancing charges, cash out dollars, etc invoiced by the Utility to the Cooperative.

**6.0. SELLER’S REIMBURSEMENT – TIER 2**

A. The State shall pay the Seller for gas supply and services each month in accordance with the following:

Gas supply volumes defined in the Transaction Confirmation multiplied by associated price designated in the Transaction Confirmation; minus if applicable.

Any penalty charges such as daily balancing charges, cash out dollars, etc invoiced by the Utility to the Cooperative.

**7.0 BILLING AND PAYMENT**

A. Billing and invoicing shall be based upon actual deliveries at the Utility citygate (SEMCO and MGU service area shall be based on usage). Seller’s invoices will not be sent until after the conclusion of the calendar month. Seller invoices shall include the time period covered, volumes and prices, and supporting documentation from the Utility that said deliveries were made. A copy of all invoices and supporting documentation shall be provided to the Energy Consultant also.

B. If any under-delivery, over-delivery, or other similar charges interconnected with Utility are incurred, Seller shall pay all such charges or penalties, which are solely Seller’s liability;

C. Payment is due to Seller not later than 45 days from the date a correct invoice is received by the State. If the invoice is deemed incorrect by the State, the State will send an Invoice Dispute Notification to the Seller, to which the Seller should respond in a timely manner. The State will pay the non-disputed amount. The State will endeavor to process invoices and dispatch payments in a timely manner. If the State payments to the Seller are received later than 45 days, Seller’s only resort shall be interest charges in accordance with the Public Act 279 of 1984 (Prompt Payment Act). Interest charges are calculated as 0.75% ( ¾ of one percent) of the non-disputed payment due per month or portion of a month that the payment remained past due.

D. If payment is to be made to a party other than the Seller, the Seller must furnish a statement to this effect to the State’s accounts payable contact person.