

**STATE OF MICHIGAN**  
**DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET**  
**PROCUREMENT & REAL ESTATE SERVICES ADMINISTRATION**  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

January 19, 2011

**NOTICE**  
**TO**  
**CONTRACT NO. 071B1300184**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR <b>Michigan State University</b> <b>301 Administration Building</b> <b>East Lansing, MI 48824</b>  Email: <a href="mailto:somers@osp.msu.edu">somers@osp.msu.edu</a> ; <a href="mailto:mrozowsk@msu.edu">mrozowsk@msu.edu</a>	TELEPHONE: Lisa Somers <b>(517) 355-5040</b>
	CONTRACTOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-6327 <b>Mary Ostrowski</b>
Contract Compliance Inspector: Gary Kitts (517) 241-6193 <b>Uniform Energy Code Compliance Assessment - DELEG</b>	
CONTRACT PERIOD: <b>2 yr. + 6 month option</b> From: <b>January 19, 2011</b> To: <b>January 18, 2013</b>	
TERMS <p style="text-align: center;"><b>Net 45 Days</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:	

The terms and conditions of this Contract are those of RFP #**07111300027** this Contract Agreement and the vendor's quote. In the event of any conflicts between the specifications, and terms and conditions, indicated by the State and those indicated by the vendor, those of the State take precedence.

Estimated Contract Value: **\$524,358.00**

**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**

**CONTRACT NO. 071B1300184**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR <b>Michigan State University</b> <b>301 Administration Building</b> <b>East Lansing, MI 48824</b>  Email: <a href="mailto:somers@osp.msu.edu">somers@osp.msu.edu</a> ; <a href="mailto:mrozowsk@msu.edu">mrozowsk@msu.edu</a>	TELEPHONE: Lisa Somers <b>(517) 355-5040</b> CONTRACTOR NUMBER/MAIL CODE  BUYER/CA (517) 373-6327 <b>Mary Ostrowski</b>
Contract Compliance Inspector: Gary Kitts (517) 241-6193 <b>Uniform Energy Code Compliance Assessment - DELEG</b>	
CONTRACT PERIOD: <b>2 yr. + 6 month option</b> From: <b>January 19, 2011</b> To: <b>January 18, 2013</b>	
TERMS <p style="text-align: center;"><b>Net 45 Days</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:  <p>The terms and conditions of this Contract are those of RFP #<b>07111300027</b> this Contract Agreement and the vendor's quote. In the event of any conflicts between the specifications, and terms and conditions, indicated by the State and those indicated by the vendor, those of the State take precedence.</p> <p>Estimated Contract Value: <b>\$524,358.00</b></p>	

**THIS IS NOT AN ORDER:** This Contract Agreement is awarded on the basis of our inquiry bearing the RFP No. **07111300027**.

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

<b>FOR THE CONTRACTOR:</b>  <b>Michigan State University</b> Firm Name	<b>FOR THE STATE:</b>  Signature <b>Kevin Dunn, Manager</b>
Authorized Agent Signature	Name/Title <b>Professional Services Division, Purchasing Operations</b>
Authorized Agent (Print or Type)	Division
Date	Date



**STATE OF MICHIGAN**  
**Department of Technology Management and Budget**  
**Purchasing Operations**

Contract No. 071B1300184  
Uniform Energy Code Compliance Assessment for Department of Energy, Labor, and Economic Growth

Buyer Name: Mary Ostrowski  
Telephone Number: 517-373-6327  
E-Mail Address: [ostrowskim@michigan.gov](mailto:ostrowskim@michigan.gov)



**Table of Contents**

**DEFINITIONS.....4**

**Article 1 – Statement of Work (SOW).....6**

**1.010 Project Identification ..... 6**

        1.011 Project Request..... 6

        1.012 Background ..... 6

**1.020 Scope of Work and Deliverables ..... 6**

        1.021 In Scope ..... 6

        1.022 Work and Deliverable ..... 7

**1.030 Roles and Responsibilities ..... 9**

        1.031 Contractor Staff, Roles, and Responsibilities ..... 9

**1.040 Project Plan ..... 9**

        1.041 Project Plan Management ..... 9

        1.042 Reports..... 9

**1.050 Acceptance ..... 10**

        1.051 Criteria..... 10

        1.052 Final Acceptance..... 10

**1.060 Proposal Pricing ..... 10**

        1.061 Proposal Pricing ..... 10

        1.062 Price Term..... 10

        1.063 Tax Excluded from Price ..... 10

        1.064 Holdback ..... 10

**1.070 Additional Requirements – Deleted/Not Applicable ..... 10**

**Article 2, Terms and Conditions..... 11**

**2.000 Contract Structure and Term ..... 11**

        2.001 Contract Term ..... 11

        2.002 Options to Renew..... 11

        2.003 Legal Effect ..... 11

        2.004 Attachments & Exhibits ..... 11

        2.005 Ordering ..... 11

        2.006 Order of Precedence ..... 11

        2.007 Headings ..... 11

        2.008 Form, Function & Utility ..... 12

        2.009 Reformation and Severability ..... 12

        2.010 Consents and Approvals ..... 12

        2.011 No Waiver of Default ..... 12

        2.012 Survival ..... 12

**2.020 Contract Administration..... 12**

        2.021 Issuing Office ..... 12

        2.022 Contract Compliance Inspector ..... 12

        2.023 Project Manager ..... 13

        2.024 Change Requests..... 13

        2.025 Notices ..... 13

        2.026 Binding Commitments ..... 13

        2.027 Relationship of the Parties ..... 13

        2.028 Covenant of Good Faith ..... 14

        2.029 Assignments..... 14

**2.030 General Provisions ..... 14**

        2.031 Media Releases..... 14

        2.032 Contract Distribution..... 14

        2.033 Permits ..... 14

        2.034 Website Incorporation ..... 14

        2.035 Future Bidding Preclusion ..... 14

        2.036 Freedom of Information ..... 14

        2.037 Disaster Recovery ..... 15

**2.040 Financial Provisions..... 15**

        2.041 Fixed Prices for Services/Deliverables ..... 15

        2.042 Adjustments for Reductions in Scope of Services/Deliverables ..... 15

        2.043 Services/Deliverables Covered ..... 15

        2.044 Invoicing and Payment – In General ..... 15

        2.045 Pro-ration ..... 15

        2.046 Antitrust Assignment ..... 15

        2.047 Final Payment ..... 16



2.048	Electronic Payment Requirement.....	16
<b>2.050</b>	<b>Taxes</b> .....	16
2.051	Employment Taxes.....	16
2.052	Sales and Use Taxes.....	16
<b>2.060</b>	<b>Contract Management</b> .....	16
2.061	Contractor Personnel Qualifications.....	16
2.062	Contractor Key Personnel.....	16
2.063	Re-assignment of Personnel at the State's Request.....	17
2.064	Contractor Personnel Location.....	17
2.065	Contractor Identification.....	17
2.066	Cooperation with Third Parties.....	17
2.067	Contractor Return of State Equipment/Resources.....	17
2.068	Contract Management Responsibilities.....	17
<b>2.070</b>	<b>Subcontracting by Contractor</b> .....	18
2.071	Contractor Full Responsibility.....	18
2.072	State Consent to Delegation.....	18
2.073	Subcontractor Bound to Contract.....	18
2.074	Flow Down.....	18
2.075	Competitive Selection.....	18
<b>2.080</b>	<b>State Responsibilities</b> .....	18
2.081	Equipment.....	18
2.082	Facilities.....	18
<b>2.090</b>	<b>Security</b> .....	19
2.091	Background Checks.....	19
2.092	Security Breach Notification.....	19
2.093	PCI Data Security Requirements – Deleted/Not Applicable.....	19
<b>2.100</b>	<b>Confidentiality</b> .....	19
2.101	Confidentiality.....	19
2.102	Protection and Destruction of Confidential Information.....	19
2.103	Exclusions.....	19
2.104	No Implied Rights.....	20
2.105	Respective Obligations.....	20
<b>2.110</b>	<b>Records and Inspections</b> .....	20
2.111	Inspection of Work Performed.....	20
2.112	Examination of Records.....	20
2.113	Retention of Records.....	20
2.114	Audit Resolution.....	20
2.115	Errors.....	20
<b>2.120</b>	<b>Warranties</b> .....	21
2.121	Warranties and Representations.....	21
2.122	Warranty of Merchantability.....	21
2.123	Warranty of Fitness for a Particular Purpose.....	21
2.124	Warranty of Title.....	21
2.125	Equipment Warranty – Deleted/Not Applicable.....	21
2.126	Equipment to be New.....	22
2.127	Prohibited Products.....	22
2.128	Consequences for Breach.....	22
<b>2.130</b>	<b>Insurance</b> .....	22
2.131	Liability Insurance.....	22
2.132	Subcontractor Insurance Coverage.....	23
2.133	Certificates of Insurance and Other Requirements.....	23
<b>2.140</b>	<b>Indemnification</b> .....	24
2.141	General Indemnification.....	24
2.142	Code Indemnification.....	24
2.143	Employee Indemnification.....	24
2.144	Patent/Copyright Infringement Indemnification.....	24
2.145	Continuation of Indemnification Obligations.....	24
2.146	Indemnification Procedures.....	25
<b>2.150</b>	<b>Termination/Cancellation</b> .....	25
2.151	Notice and Right to Cure.....	25
2.152	Termination for Cause.....	25
2.153	Termination for Convenience.....	26
2.154	Termination for Non-Appropriation.....	26
2.155	Termination for Criminal Conviction.....	26
2.156	Termination for Approvals Rescinded.....	26
2.157	Rights and Obligations upon Termination.....	27
2.158	Reservation of Rights.....	27



<b>2.160</b>	<b>Termination by Contractor</b> .....	27
2.161	Termination by Contractor.....	27
<b>2.170</b>	<b>Transition Responsibilities</b> .....	27
2.171	Contractor Transition Responsibilities.....	27
2.172	Contractor Personnel Transition.....	27
2.173	Contractor Information Transition.....	28
2.174	Contractor Software Transition.....	28
2.175	Transition Payments.....	28
2.176	State Transition Responsibilities.....	28
<b>2.180</b>	<b>Stop Work</b> .....	28
2.181	Stop Work Orders.....	28
2.182	Cancellation or Expiration of Stop Work Order.....	28
2.183	Allowance of Contractor Costs.....	28
<b>2.190</b>	<b>Dispute Resolution</b> .....	29
2.191	In General.....	29
2.192	Informal Dispute Resolution.....	29
2.193	Injunctive Relief.....	29
2.194	Continued Performance.....	29
<b>2.200</b>	<b>Federal and State Contract Requirements</b> .....	29
2.201	Nondiscrimination.....	29
2.202	Unfair Labor Practices.....	30
2.203	Workplace Safety and Discriminatory Harassment.....	30
2.204	Prevailing Wage – Deleted/Not Applicable.....	30
<b>2.210</b>	<b>Governing Law</b> .....	30
2.211	Governing Law.....	30
2.212	Compliance with Laws.....	30
2.213	Jurisdiction.....	30
<b>2.220</b>	<b>Limitation of Liability</b> .....	30
2.221	Limitation of Liability.....	30
<b>2.230</b>	<b>Disclosure Responsibilities</b> .....	30
2.231	Disclosure of Litigation.....	30
2.232	Call Center Disclosure – Deleted/Not Applicable.....	31
2.233	Bankruptcy.....	31
<b>2.240</b>	<b>Performance</b> .....	31
2.241	Time of Performance.....	31
2.242	Service Level Agreements (SLAs) – Deleted/Not Applicable.....	32
2.243	Liquidated Damages – Deleted/Not Applicable.....	32
2.244	Excusable Failure.....	32
<b>2.250</b>	<b>Approval of Deliverables</b> .....	32
2.251	Delivery Responsibilities.....	32
2.252	Delivery of Deliverables.....	33
2.253	Testing.....	33
2.254	Approval of Deliverables, In General.....	33
2.255	Process for Approval of Written Deliverables.....	34
2.256	Process for Approval of Services.....	34
2.257	Process for Approval of Physical Deliverables.....	34
2.258	Final Acceptance.....	34
<b>2.260</b>	<b>Ownership</b> .....	34
2.261	Ownership of Work Product by State.....	34
2.262	Vesting of Rights.....	35
2.263	Rights in Data.....	35
2.264	Ownership of Materials.....	35
<b>2.270</b>	<b>State Standards</b> .....	35
2.271	Existing Technology Standards.....	35
2.272	Acceptable Use Policy.....	35
2.273	Systems Changes.....	35
<b>2.280</b>	<b>Extended Purchasing – Deleted/Not Applicable</b> .....	35
<b>2.290</b>	<b>Environmental Provision</b> .....	35
2.291	Environmental Provision.....	35
<b>2.300</b>	<b>Other Provisions</b> .....	36
2.311	Forced Labor, Convict Labor, Forced or Indentured Child Labor, or Indentured Servitude Made Materials.....	36
	Attachment A, Pricing.....	37
	Attachment A2, Budget Justification.....	38
	Attachment A3, Detailed BCAP Subcontract Budget.....	40
	Attachment A4, Detailed PSC Subcontract Budget.....	41



**DEFINITIONS**

**24x7x365** means 24 hours a day, seven days a week, and 365 days a year (including the 366th day in a leap year).

**Additional Service** means any Services within the scope of the Contract, but not specifically provided under any Statement of Work.

**Audit Period** means the seven year period following Contractor's provision of any work under the Contract.

**Bidder(s)** are those companies that submit a proposal in response to this RFP.

**Business Day** means any day other than a Saturday, Sunday or State-recognized legal holiday from 8:00am EST through 5:00pm EST unless otherwise stated.

**Blanket Purchase Order** is an alternate term for Contract and is used in the Plan Sponsors' computer system.

**CCI** means Contract Compliance Inspector.

**Days** means calendar days unless otherwise specified.

**Deleted – N/A** means that section is not applicable or included in this RFP. This is used as a placeholder to maintain consistent numbering.

**Deliverable** means physical goods and/or services required or identified in a Statement of Work.

**DTMB** means the Michigan Department of Technology Management and Budget.

**Environmentally Preferable Products** means a product or service that has a lesser or reduced effect on human health and the environment when compared with competing products or services that serve the same purpose. Such products or services may include, but are not limited to: those which contain recycled content, minimize waste, conserve energy or water, and reduce the amount of toxics either disposed of or consumed.

**Hazardous Material** means any material defined as hazardous under the latest version of federal Emergency Planning and Community Right-to-Know Act of 1986 (including revisions adopted during the term of the Contract).

**Incident** means any interruption in any function performed for the benefit of a Plan Sponsor.

**Key Personnel** means any personnel identified in **Section 1.031** as Key Personnel.

**New Work** means any Services/Deliverables outside the scope of the Contract and not specifically provided under any Statement of Work, such that once added will result in the need to provide the Contractor with additional consideration. "New Work" does not include Additional Service.

**Ozone-depleting Substance** means any substance the Environmental Protection Agency designates in 40 CFR part 82 as: (1) Class I, including, but not limited to, chlorofluorocarbons, halons, carbon tetrachloride, and methyl chloroform; or (2) Class II, including, but not limited to, hydrochlorofluorocarbons.

**Post-Consumer Waste** means any product generated by a business or consumer which has served its intended end use; and which has been separated or diverted from solid waste for the purpose of recycling into a usable commodity or product, and which does not include post-industrial waste.

**Post-Industrial Waste** means industrial by-products which would otherwise go to disposal and wastes generated after completion of a manufacturing process, but does not include internally generated scrap commonly returned to industrial or manufacturing processes.

**Recycling** means the series of activities by which materials that are no longer useful to the generator are collected, sorted, processed, and converted into raw materials and used in the production of new products. This definition excludes the use of these materials as a fuel substitute or for energy production.

**Reuse** means using a product or component of municipal solid waste in its original form more than once.



**RFP** means a Request for Proposal designed to solicit proposals for services.

**Services** means any function performed for the benefit of the State.

**SLA** means Service Level Agreement.

**Source Reduction** means any practice that reduces the amount of any hazardous substance, pollutant, or contaminant entering any waste stream or otherwise released into the environment prior to recycling, energy recovery, treatment, or disposal.

**State Location** means any physical location where the State performs work. State Location may include state-owned, leased, or rented space.

**Subcontractor** means a company selected by the Contractor to perform a portion of the Services, but does not include independent contractors engaged by Contractor solely in a staff augmentation role.

**Unauthorized Removal** means the Contractor's removal of Key Personnel without the prior written consent of the State.

**Waste Prevention** means source reduction and reuse, but not recycling.

**Pollution Prevention** means the practice of minimizing the generation of waste at the source and, when wastes cannot be prevented, utilizing environmentally sound on-site or off-site reuse and recycling. The term includes equipment or technology modifications, process or procedure modifications, product reformulation or redesign, and raw material substitutions. Waste treatment, control, management, and disposal are not considered pollution prevention, per the definitions under Part 143, Waste Minimization, of the Natural Resources and Environmental Protection Act (NREPA), 1994 PA 451, as amended.

**Work in Progress** means a Deliverable that has been partially prepared, but has not been presented to the State for Approval.

**Work Product** refers to any data compilations, reports, and other media, materials, or other objects or works of authorship created or produced by the Contractor as a result of an in furtherance of performing the services required by the Contract.



**Article 1 – Statement of Work (SOW)**

**1.010 Project Identification**

**1.011 Project Request**

The purpose of this Contract is to provide the services to conduct an assessment of the rate and nature of compliance with the 2003 Michigan Uniform Energy Code (MUEC) (or newer standards if the MUEC is amended during the period of the resulting contract). This assessment will be a comprehensive, statewide effort that will include determination of approximate baseline compliance within both the commercial and residential construction sectors; identification of areas of non-compliance; development or expansion, promotion, and delivery of training programs throughout the state for a variety of audiences; developing policy options to remove barriers and improve adoption of energy conservation and efficiency in buildings; working with various collaborating agencies and stakeholders to begin adoption and implementation of such policies; and overseeing, collecting data, and reporting to the Michigan Public Service Commission (MPSC).

Training and support will be focused on the 2003 MUEC standards (or newer standards if the MUEC is amended during the period of the resulting contract). The focus of these support efforts will be to build long-term understanding of the code requirements and lasting capabilities of the construction marketplace to meet or exceed all required MUEC standards in building designs, approved plans and constructed buildings. In addition, this effort will seek to determine the current rate of compliance and to establish a road map for 90% or better compliance with the MUEC by 2017 in order to meet requirements of the American Recovery and Reinvestment Act of 2009.

**1.012 Background**

The American Recovery and Reinvestment Act (“ARRA” or “the Act”) enacted in 2009 (Act of 2009, Pub. L. 111-5) focuses on stimulating the U.S. economy through both public-sector spending and tax credits, with a heavy focus on infrastructure and energy. Through the Act, the energy codes community will benefit from financial incentives to improve building energy efficiency. The Act requires each State or applicable unit of local government that has the authority to adopt building codes to implement the following:

- (A) A building energy code (or codes) for residential buildings that meets or exceeds the most recently published International Energy Conservation Code, or achieves equivalent or greater energy savings.
- (B) A building energy code (or codes) for commercial buildings throughout the State that meets or exceeds the American National Standards Institute (ANSI)/ASHRAE/Illuminating Engineering Society of North America (IESNA) Standard 90.1–2007, or achieves equivalent or greater energy savings.
- (C) A plan for the jurisdiction achieving compliance with the building energy code or codes described in subparagraphs (A) and (B) within 8 years of the date of enactment of this Act in at least 90 percent of new and renovated residential and commercial building space. Such plan shall include active training and enforcement programs and measurement of the rate of compliance each year.

The education, training, implementation and assessment resulting from this contract will assist Michigan in its efforts to meet the requirements of the Act.

**1.020 Scope of Work and Deliverables**

**1.021 In Scope**

Contractor must conduct an assessment of the rate and nature of compliance with the 2003 MUEC (or newer standards if the MUEC is amended during the period of the resulting contract) that will ensure that the requirements of the American Recovery and Reinvestment Act are being met. This must include developing an education, training and implementation assistance program where Contractor will work with code officials, design professionals and building trade professionals developing an understanding and proper application of the current MUEC. The assessment will, where possible, align with national compliance efforts, protocols and evaluation tools in order to achieve uniformity in reporting compliance. This will require coordinating with potential U.S. Department of Energy (DOE) or ARRA standards and requirements for measuring and reporting compliance pursuant to Title IV, Section 410 of ARRA. Methods to obtain information and determine compliance should include a variety of surveys, interviews, site and field visits, data analysis and modeling, and



other applicable assessment techniques. There are multiple municipalities in Michigan that administer the MUEC and enforce compliance at the local level. This comprehensive compliance assessment must gather enough information to have a statistically valid sample from which to draw conclusions. The assessment should cover the dominant commercial and residential building types within Michigan, and recognize regional differences in building methodologies, particularly residential buildings. Baseline compliance will be assessed on the 2003 MUEC. It is anticipated that the 2003 MUEC will remain in effect until late 2010, and that an amended MUEC will be implemented in late 2010 or early 2011 that will closely align with the 2009 IECC for residential construction, and the 2007 ASHRAE 90.1 for commercial construction. Contractor will work in cooperation with Department of Energy, Labor & Economic Growth, Bureau of Construction Codes for all assessment of energy code compliance tasks and deliverables.

**1.022 Work and Deliverable**

Contractor must provide Deliverables/Services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below:

1. Train and mobilize code officials, design professionals and building trade professionals for energy code compliance and to promote above-code performance:
  - a) Develop an education, training and implementation assistance track primarily for code officials and additionally for design professionals and building trade professionals that will focus on understanding and properly applying the current MUEC.
  - b) Education must include clarifying with code officials of local units of government the obligation to enforce the provisions of the MUEC when they elect to enforce any part of the State Construction Code.
  - c) Submit educational and training programs, tests, and instructors to the Bureau of Construction Codes (BCC) for approval in accordance with 1986 PA 54, Building Officials and Inspectors Registration Act. Please refer to the following website for additional information: <http://legislature.mi.gov/doc.aspx?mcl-act-54-of-1986>. The Education and Training Program Approval Application, and Instructor Approval Application are available at the following Website: [http://www.michigan.gov/dleg/0,1607,7-154-10575\\_33813\\_33816---,00.html](http://www.michigan.gov/dleg/0,1607,7-154-10575_33813_33816---,00.html)
  - d) Education and training programs developed under the contract must be approved for continuing education credits. Contractor is responsible for any fees associated with the approval of continuing education content and approval of instructors.
  - e) Provide direct training to multiple stakeholders, including, but not limited to, building inspectors and code officials, architects and designers, contractors of construction, insulation, plumbing, electrical, and others, realtors, appraisers, commercial building owners and facility managers;
  - f) Promote this program throughout the State to building and code professionals.
    - Ensure wide knowledge of and access to trainings and information;
    - Promotion must additionally include, but is not limited to newsletter or newspaper articles, web site stories, tours or open houses of sites that highlight code compliance, earned (no paid media) appearances on television or radio, outreach, appearances and presentations at conferences, home shows, and events, and other relevant venues.
  - g) Conduct at least 20 statewide workshops, trainings, and/or education sessions targeted to state and local code officials. These events are expected to train at least 70 state code officials and 1,800 local code officials. (More workshops and more attendees are highly encouraged.)
  - h) Conduct at least 10 statewide workshops, trainings, and/or education sessions targeted to building professionals (architects, builders, engineers, etc.). These events are expected to train at least 1,000 building professionals. (More workshops and more attendees are highly encouraged.)
  - i) Coordinate or provide training on software options for plan code compliance.
  - j) Coordinate, to the extent applicable, with existing training resources such as the electric and gas utilities, rating and auditing training programs, and others.
  - k) Notify MPSC about media inquiries, responses, and copies of published clippings.
  - l) Provide results of the training sessions to the MPSC including number of attendees, location(s) of training sessions, summary of feedback response from attendees, frequently asked questions generated from attendees and qualitative summary of the code training project. See Section 1.042, Reports.
  
2. Establish a baseline of compliance under the amended MUEC that will closely align with the 2009 International Energy Conservation Code (IECC) for residential construction, and the 2007 American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) 90.1 for commercial construction, identifying roadblocks and solutions to improve compliance. This will include the following:
  - a) Understand and follow methodology set forth in topic briefs by the U.S. Department of Energy (U.S. DOE) for measuring and determining 90% compliance.



- b) Meet with the BCC to plan and draft an updated survey of local code official practices.
  - c) Survey code compliance among BCC, local code officials, and other stakeholders including design professionals and building trade professionals.
  - d) Where enforcement is the jurisdiction of the State, review sample inspections/compliance audits of new residential and commercial construction, and residential and commercial renovations with BCC.
  - e) If it is necessary to determine baseline compliance, conduct sample code compliance audits.
  - f) Review the compliance process for new residential and commercial construction, and residential and commercial renovations with the BCC.
  - g) Submit a Baseline Compliance Report to the MPSC.
3. Outline a plan to utilize the energy code compliance testing pilot study results that were generated from the 2010/2011 Department of Energy (DOE)/Pacific Northwest National Laboratory (PNNL) grant program that several states participated in.
- a) Access data from PNNL's Energy Efficiency Partner (EEP) the Midwest Energy Efficiency Alliance (MEEA) or from PNNL directly.
  - b) Extract and apply the findings relevant to Michigan's pathway for energy code implementation, compliance testing, and compliance documentation.
4. Create a road map to achieve 90% compliance of the residential and commercial energy codes by 2017.
- a) Obtain written confirmation of the adoption of the most current MUEC from BCC.
  - b) Conduct initial collaborative stakeholder meetings as appropriate for scoping, brainstorming, and additional direction, as well as to review draft options, policy recommendations, strategies, and results to date.
  - c) Understand, incorporate, and follow all compliance methodology guidance issued by U.S. DOE.
  - d) Tap existing resources, individuals, reports, agencies, organizations, and businesses to maximize quality content for the road map. Creative and innovative collaborations are encouraged.
  - e) Utilize available funds for the most effect and value.
  - f) Submit an Interim Road Map Report to the MPSC twelve months after the start date of the contract, and a Final Road Map Report one month prior to the expiration of the contract.
5. Provide baseline content that you would use in the various trainings to be developed.
6. Develop a public awareness campaign for homeowners, landlords, commercial property owners, real estate appraisers, and realtors to understand the value of the energy code, including above-code performance.
- a) Develop materials for non-code official audiences.
  - b) Promotion must additionally include, but is not limited to newsletter or newspaper articles, web site stories, tours or open houses of sites that highlight code compliance, earned (no paid media) appearances on television or radio, outreach, appearances and presentations at conferences, home shows, and events, and other relevant venues.
    - 1) Notify MPSC about media inquiries, responses, and provide copies of published clippings.
    - 2) Provide results of the events to the MPSC including number of events and number of people reached. See Section 1.042, Reports.
    - 3) Update and gather building code resources in one publicly accessible site:
      - Create an electronic guide to Energy Conservation in Residential New Construction
      - Create electronic guide to Energy Conservation in Commercial New Construction
      - Collect existing and new reports, surveys, code books, et cetera; and
      - Create a web resource site for these resources.
7. Develop recommended enforcement and compliance policy options for the ASHRAE 90.1 (2007 edition) with Michigan-specific amendments and the 2009 IECC with Michigan specific-amendments (when adopted). *Funding for this program does not include enforcement.*
- a) Make recommendations to improve compliance, both broad and specific, including but not limited to State and local policies, laws, and statutes, funding mechanisms, and hierarchy of accountability with building and energy code.
  - b) Recognize and recommend options that will work in Michigan, given changing political climate, history, needs, historic funding paucity, and local control, and sensitivity to unfunded mandates to local jurisdictions.
  - c) Understand, incorporate, and follow all compliance methodology guidance issued by U.S. DOE.



- d) Research and recommend funding sources for expanded energy code enforcement.
  - e) Develop mechanisms to inspect measures completed in person, as well as via design.
  - f) Work with stakeholders to create an auditing process for review of compliance and enforcement, so that future compliance studies are simplified.
8. Establish a review process to monitor and track compliance under the ASHRAE 90.1 (2007 edition) with Michigan-specific amendments and the 2009 IECC with Michigan-specific amendments (when adopted).
- a) Develop mechanisms to inspect measures completed in person, as well as via design.
  - b) Work with stakeholders to create an auditing process for review of compliance and enforcement, so that future compliance studies are simplified.
9. Submit detailed quarterly project reports to MPSC as set forth in Section 1.042, Reports.

**1.030 Roles and Responsibilities**

**1.031 Contractor Staff, Roles, and Responsibilities**

Michigan State University's (MSU) authorized negotiator and contact for this Contract:  
 Lisa Somers  
 MSU Sr. Contract and Grant Administrator

MSU's authorized person to coordinate, lead and oversee all scope of work project activities defined in Section 1.022 of this Contract:  
 Tim Mrozowski  
 MSU School of Planning, Design, and Construction (SPDC)  
 Project Administrator

Contractor must identify and retain internal and external resources with expertise in conducting assessments and developing energy code training and educational programs of the caliber discussed in Sections 1.021 and 1.022, and staff a project team that clearly possesses the skills and experience in conducting the type of work proposed.

The contact person must be authorized to be the negotiator for the proposed contract with the State.

**1.040 Project Plan**

**1.041 Project Plan Management**

The Contractor must develop and provide a clear, concise plan to carry out the activities and achieve the objectives set forth in Sections 1.021 and 1.022. The project plan must include the required tasks for accomplishing the work proposed, and a detailed timeline for completing the planned activities and tasks.

The Contractor's plan must include a summary explaining how the proposed project will be monitored and managed to ensure funds are used for the intended purpose, project milestones and timelines are met, and quality control and assurance standards are followed.

Along with continuous liaison with the Contractor, the Project Manager will meet as needed with the Contractor for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems that arise.

Prior to executing any changes to the scope of the project and/or budget, the Contractor must inform the Project Manager in writing outlining the proposed changes.

Contractor will carry out the project under the direction of an assigned Project Manager. DTMB shall have final authority over the Agency/Contract.

**1.42 Reports**

The Contractor is responsible for monitoring and reporting.



The Contractor must begin submitting Quarterly Project Reports to the Project Manager three months after the Contract start date. The reports must include at a minimum:

- (a) Name of Contractor, and dates of current reporting period.
- (b) A brief summary of work completed during the reporting period and the work to be completed during the subsequent reporting period.
- (c) A brief description of problems or delays, real or anticipated, that may prevent progress on the project which should be brought to the attention of the Project Manager.
- (d) A statement concerning any significant deviation from the previously agreed-upon Project Plan, Section 1.040

**1.050 Acceptance**

**1.051 Criteria**

The following criteria will be used by the State to determine Acceptance of the Services or Deliverables provided under this SOW:

The Project Manager, together with a representative of the Michigan Bureau of Construction Codes will review quarterly reports required in Section 1.042, and work with the Contractor to ensure the project is on track and tasks are being completed in accordance with the Scope of Work.

**1.052 Final Acceptance**

The Project Manager, the DELEG Contract Compliance Inspector, and a representative of the Michigan Bureau of Construction Codes will review all deliverables submitted pursuant to Section 1.020, Scope of Work and Deliverables, to determine if the project is complete and meets all Contract requirements.

**1.060 Proposal Pricing**

**1.061 Proposal Pricing**

See Attachment A, Pricing

Contractor's out-of-pocket expenses are not separately reimbursable by the State unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for the expense at the State's current travel reimbursement rates. See [www.michigan.gov/dtmb](http://www.michigan.gov/dtmb) for current rates.

**1.062 Price Term**

Prices quoted are firm for the entire length of the Contract.

**1.063 Tax Excluded from Price**

- (a) Sales Tax: For purchases made directly by the State, the State is exempt from State and Local Sales Tax. Prices must not include the taxes. Exemption Certificates for State Sales Tax will be furnished upon request.
- (b) Federal Excise Tax: The State may be exempt from Federal Excise Tax, or the taxes may be reimbursable, if articles purchased under any resulting Contract are used for the State's exclusive use. Certificates showing exclusive use for the purposes of substantiating a tax-free or tax-reimbursable sale will be sent upon request. If a sale is tax exempt or tax reimbursable under the Internal Revenue Code, prices must not include the Federal Excise Tax.

**1.64 Holdback**

The State has the right to hold back, as a retainage, an amount equal to ten percent (10%) of all amounts invoiced by Contractor for Services/Deliverables. The amounts held back must be released to Contractor after the State has granted Final Acceptance.

**1.070 Additional Requirements – Deleted/Not Applicable**



**Article 2, Terms and Conditions**

**2.000 Contract Structure and Term**

**2.001 Contract Term**

The Contract is for a period of two years beginning January 19, 2011 through January 18, 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, Purchase 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**

The 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 one additional six-month period.

**2.003 Legal Effect**

Contractor must show acceptance of the Contract by signing two copies of the Contract and returning them to the Contract Administrator. The Contractor must 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 Contract release/purchase 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 the Contract, until Contractor is notified in writing that the Contract (or Change Order) has been approved by the State Administrative Board (if required), approved and signed by all the parties, and a Purchase 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 the Contract, are incorporated in their entirety and form part of the Contract.

**2.005 Ordering**

The State will issue a written Purchase Order, Blanket Purchase Order, Direct Voucher or Procurement Card Order, which must be approved by the Contract Administrator or the Contract Administrator's designee, to order any Services/Deliverables under the Contract. All orders are subject to the terms and conditions of the Contract. No additional terms and conditions contained on either a Purchase Order or Blanket Purchase Order apply unless they are also specifically contained in that Purchase Order's or Blanket Purchase Order's accompanying Statement of Work. Exact quantities to be purchased are unknown, however, the Contractor must furnish all such materials and services as may be ordered during the CONTRACT period. Quantities specified, if any, are estimates based on prior purchases, and the State is not obligated to purchase in these or any other quantities.

**2.006 Order of Precedence**

- (a) The Contract, including any Statements of Work and Exhibits, to the extent not contrary to the Contract, each of which is incorporated for all purposes, constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior agreements, whether written or oral, with respect to the subject matter and as additional terms and conditions on the purchase order must apply as limited by **Section 2.005**.
- (b) In the event of any inconsistency between the terms of the Contract and a Statement of Work, the terms of the Statement of Work will take precedence (as to that Statement of Work only); provided, however, that a Statement of Work may not modify or amend the terms of the Contract, which may be modified or amended only by a formal Contract amendment.

**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**

If the Contract is for use of more than one State agency and if the Deliverable/Service does not meet the form, function, and utility required by that State agency, that agency may, subject to State purchasing policies, procure the Deliverable/Service from another source.

**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**

The Contract is issued by the Department of Technology Management and Budget, Purchasing Operations and the Department of Energy, Labor & Economic Growth (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 the Contract.** The Contractor Administrator within Purchasing Operations for the Contract is:

Mary Ostrowski  
 Purchasing Operations  
 Department of Technology Management and Budget  
 Mason Bldg, 2nd Floor  
 PO Box 30026  
 Lansing, MI 48909  
[ostrowskim@michigan.gov](mailto:ostrowskim@michigan.gov)  
 (517) 373-6327

**2.022 Contract Compliance Inspector**

After DTMB-Purchasing Operations receives the properly executed Contract, it is anticipated that the Director of Purchasing Operations, in consultation with the Michigan Public Service Commission, 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 the 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 CCI for the Contract is:

Gary Kitts, State Bureau Administrator  
 Michigan Public Service Commission  
 Department of Energy, Labor & Economic Growth  
 6545 Mercantile Way  
 Lansing, MI 48911  
 Email: [kittsg@michigan.gov](mailto:kittsg@michigan.gov)  
 Phone: 517-241-6193  
 Fax: 517-335-3877



**2.023 Project Manager**

The following individual will oversee the project:

Lois Gruesbeck  
 Department of Energy, Labor & Economic Growth  
 6545 Mercantile Way  
 Lansing, MI 48911  
 Email: [gruesbeckl1@michigan.gov](mailto:gruesbeckl1@michigan.gov)  
 Phone: 517-241-6167  
 Fax: 517-335-3877

**2.024 Change Requests**

The State reserves the right to request, from time to time, any changes to the requirements and specifications of the Contract and the work to be performed by the Contractor under the 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 the Contract, describing the Change and its effects on the Services and any affected components of the Contract (a "Contract Change Notice").
- (b) No proposed Change may be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the DTMB-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 the 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 the Contract.

**2.025 Notices**

Any notice given to a party under the Contract must be deemed effective, if addressed to the State contact as noted in Section 2.021 and the Contractor's contact as noted on the cover page of the contract, 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.

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 Contract. 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 deemed to be an employee, agent or servant of the State for any reason. Contractor is solely and entirely responsible for its acts and the acts of its agents, employees, servants and Subcontractors during the performance of the Contract.



**2.028 Covenant of Good Faith**

Each party must act reasonably and in good faith. Unless stated otherwise in the Contract, the parties must 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 the Contract.

**2.029 Assignments**

- (a) Neither party may assign the Contract, or assign or delegate any of its duties or obligations under the 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 the Contract to any other State agency, department, division or department without the prior consent of Contractor and Contractor may assign the Contract to an affiliate so long as the affiliate is adequately capitalized and can provide adequate assurances that the affiliate can perform the requirements of the 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 the 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 the Contract. If the State permits an assignment, the Contractor is not relieved of its responsibility to perform any of its contractual duties, and the requirement under the Contract that all payments must be made to one entity continues.
- (c) If the Contractor intends to assign the Contract or any of the Contractor's rights or duties under the 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 RFP and Contract or project to which it relates must not be made without prior written State approval, and then only in accordance with the explicit written instructions from the State. .

**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 the Contract involves the creation, research, investigation or generation of a future RFP, it may be precluded from bidding on the subsequent RFP. 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 RFP development, or as a Vendor offering free assistance) to gain a competitive advantage on the RFP

**2.036 Freedom of Information**

All information in any proposal submitted to the State by Contractor and the Contract is subject to the provisions of the Michigan Freedom of Information Act, 1976 PA 442, 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 the Contract must 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 the Contract must 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 the 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 the Contract is subsequently reduced by the State, the parties must 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 the Contract, the State must not be obligated to pay any amounts in addition to the charges specified in the Contract.

**2.044 Invoicing and Payment – In General**

- (a) Each Statement of Work issued under the Contract must list (or indicate by reference to the appropriate Contract Exhibit) the prices for all Services/Deliverables, equipment and commodities to be provided, and the associated payment milestones and payment amounts.
- (b) Each Contractor invoice must show details as to charges by Service/Deliverable component and location at a level of detail reasonably necessary to satisfy the State's accounting and charge-back requirements. Invoices for Services performed on a time and materials basis must show, for each individual, the number of hours of Services performed during the billing period, the billable skill/labor category for such person and the applicable hourly billing rate. Prompt payment by the State is contingent on the Contractor's invoices showing the amount owed by the State minus any holdback amount to be retained by the State in accordance with **Section 1.064**.
- (c) Correct invoices will be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 PA 279, MCL 17.51 et seq., within 45 days after receipt, provided the State determines that the invoice was properly rendered.
- (d) All invoices should reflect actual work done. Specific details of invoices and payments will be agreed upon between the CCI and the Contractor. **(10% of the total price to remain for final payment.)**

The specific payment schedule for any Contract(s) entered into, as the State and the Contractor(s) must mutually agree upon. The schedule must show payment amount and must reflect actual work done by the payment dates, less any penalty cost charges accrued by those dates. As a general policy, statements must be forwarded to the designated representative by the 15th day of the following month.

The State may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the CCI, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

**2.045 Pro-ration**

To the extent there are any Services that are to be paid for on a monthly basis, the cost of such Services must be pro-rated for any partial month.

**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 the 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 the 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 the 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 the Contract must constitute a waiver of all claims by Contractor against the State for payment under the 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. The Contractor must register with the State electronically at <http://www.cpexpress.state.mi.us>. As stated in 1984 PA 431, all contracts that the State enters into for the purchase of goods and services must 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.

**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 the 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 the 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 the 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 CCI 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 reserves 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 must notify the State of the proposed assignment, must introduce the individual to the appropriate State representatives, and must 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 must 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 must 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 must perform their duties either primarily at Contractor's offices and facilities or at State facilities. Without limiting the generality of the foregoing, Key Personnel must, 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 must 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 must 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 the 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 must not unnecessarily or unreasonably interfere with, delay, or otherwise impede Contractor's performance under the Contract with the requests for access.

**2.067 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.

**2.068 Contract Management Responsibilities**

The Contractor must assume responsibility for all contractual activities, whether or not that Contractor performs them. Further, the State considers 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.



**2.070 Subcontracting by Contractor**

**2.071 Contractor Full Responsibility**

Contractor has 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 the Contract, including payment of any and all charges for Services and Deliverables.

**2.072 State Consent to Delegation**

Contractor must not delegate any duties under the Contract to a Subcontractor unless the DTMB-Purchasing Operations has given written consent to such delegation. The State reserves 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 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 Subcontractor(s) for the removed Subcontractor must 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 for a 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 must require the Subcontractor, to the extent of the Services to be performed by the Subcontractor, to be bound to Contractor by the terms of the Contract and to assume toward Contractor all of the obligations and responsibilities that Contractor, by the 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 is the responsibility of Contractor, and Contractor must remain responsible for the performance of its Subcontractors to the same extent as if Contractor had not subcontracted such performance. Contractor must 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 the Contract will not relieve Contractor of any obligations or performance required under the Contract.

**2.074 Flow Down**

Except where specifically approved in writing by the State on a case-by-case basis, Contractor must 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 must 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**

The State must provide only the equipment and resources identified in the Statements of Work and other Contract Exhibits.

**2.082 Facilities**

The State must designate space as long as it is available and as provided in the Statement of Work, to house the Contractor’s personnel whom the parties agree will perform the Services/Deliverables at State facilities (collectively, the “State Facilities”). The Contractor must have reasonable access to, and, unless agreed otherwise by the parties in writing, must observe and comply with all rules and regulations relating to each of the State Facilities (including hours of operation) used by the Contractor in the course of providing the Services. Contractor must not, without the prior written consent of the State, use any State Facilities or access any State information systems provided for the Contractor’s use, or to which the Contractor otherwise gains access in the course of performing the Services, for any purpose other than providing the Services to the State.



**2.090 Security**

**2.091 Background Checks**

On a case-by-case basis, the State may investigate the Contractor's personnel before they may have access to State facilities and systems. The scope of the background check is at the discretion of the State and the results will be used to determine Contractor personnel eligibility for working within State facilities and systems. The investigations will include Michigan State Police Background checks (ICHAT) and may include the National Crime Information Center (NCIC) Finger Prints. Proposed Contractor personnel may be required to complete and submit an RI-8 Fingerprint Card for the NCIC Finger Print Check. Any request for background checks will be initiated by the State and will be reasonably related to the type of work requested.

All Contractor personnel must comply with the State's security and acceptable use policies for State IT equipment and resources. See <http://www.michigan.gov/dit>. Furthermore, Contractor personnel must agree to the State's security and acceptable use policies before the Contractor personnel will be accepted as a resource to perform work for the State. The Contractor must present these documents to the prospective employee before the Contractor presents the individual to the State as a proposed resource. Contractor staff must comply with all Physical Security procedures in place within the facilities where they are working.

**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 the Contract, is marked as confidential, proprietary, or with a similar designation by the State. "Confidential Information" excludes any information (including the Contract) that is publicly available under the Michigan FOIA.

**2.102 Protection and Destruction of Confidential Information**

The State and Contractor must 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 the 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 must limit disclosure of the other party's Confidential Information to employees and Subcontractors who must have access to fulfill the purposes of the Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under the 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 the 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 three years after the Contractor provides any work under the 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, 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 must 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 the Contract. The performance of all obligations under the Contract must be provided in a timely, professional, and workman-like manner and must meet the performance and operational standards required under the 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 the 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 the 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 the 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 the 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 the 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 the 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) If any of the certifications, representations, or disclosures made in the Contractor's original bid response change after the Contract start date, the Contractor must report those changes immediately to DTMB-Purchasing Operations.

**2.122 Warranty of Merchantability**

Goods provided by Contractor under this agreement must be merchantable. All goods provided under the Contract must be of good quality within the description given by the State, must be fit for their ordinary purpose, must be adequately contained and packaged within the description given by the State, must conform to the agreed upon specifications, and must conform to the affirmations of fact made by the Contractor or on the container or label.

**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 must, in providing goods to the State, convey good title in those goods, whose transfer is right and lawful. All goods provided by Contractor must 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 the Contract, must 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**

If applicable, all equipment provided under the Contract by Contractor must be new where Contractor has knowledge regarding whether the equipment is new or assembled from new or serviceable used parts that are like new in performance or has the option of selecting one or the other. Equipment that is assembled from new or serviceable used parts that are like new in performance is acceptable where Contractor does not have knowledge or the ability to select one or other, unless specifically agreed otherwise in writing by the State.

**2.127 Prohibited Products**

The State will not accept salvage, distressed, outdated or discontinued merchandise. Shipping of such merchandise to any State agency, as a result of an order placed against the Contract, is considered default by the Contractor of the terms and conditions of the Contract and may result in cancellation of the Contract by the State. The brand and product number offered for all items must remain consistent for the term of the Contract, unless Purchasing Operations has approved a change order pursuant to **Section 2.024**.

**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 the 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 the 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 the Contract.

All insurance coverage's provided relative to the 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 the 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 the Contract must be issued by companies that have been approved to do business in the State. See [www.michigan.gov/deleg](http://www.michigan.gov/deleg).

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 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 the 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 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 \$1,000,000.00 with a maximum deductible of \$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: \$3,000,000.00 each occurrence and \$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 the 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 the 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 must fully comply with the insurance coverage required in this Section. Failure of Subcontractor 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-Purchasing Operations, 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 **MUST 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, DTMB. The notice must include the Contract or Purchase Order number affected. 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 the 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 the 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 the Contract, or if any insurer cancels or significantly reduces any required insurance as specified in the 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 the 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 must 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 the 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 the 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 the 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 must 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 the Contract, for cause, by notifying the Contractor in writing, if the Contractor (i) breaches any of its material duties or obligations under the 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 the Contract is terminated for cause, the Contractor must pay all costs incurred by the State in terminating the 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 the 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 the Contract, provided the costs are not in excess of 50% more than the prices for the Service/Deliverables provided under the Contract.
- (c) If the State chooses to partially terminate the Contract for cause, charges payable under the 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 the Contract that are terminated for cause must cease on the effective date of the termination.

- (d) If the State terminates the 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 the Contract for a termination for convenience.

**2.153 Termination for Convenience**

The State may terminate the 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 RFP issued by the State. The State may terminate the 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 the Contract in part, the charges payable under the Contract must be equitably adjusted to reflect those Services/Deliverables that are terminated. Services and related provisions of the 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 the Contract extends for several fiscal years, continuation of the Contract is subject to appropriation or availability of funds for the Contract. If funds to enable the State to effect continued payment under the Contract are not appropriated or otherwise made available, the State must terminate the 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 the Contract will be equitably adjusted to reflect any equipment, services or commodities not provided by reason of the reduction.
- (c) If the State terminates the 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 the 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 the 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 must 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 the 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 the 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 the 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 the 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 the 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 the Contract, and may further pursue completion of the Services/Deliverables under the Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

**2.158 Reservation of Rights**

Any termination of the 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 the Contract if the State (i) materially breaches its obligation to pay the Contractor undisputed amounts due and owing under the Contract, (ii) breaches its other obligations under the 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 2.190** before it terminates the Contract.

**2.170 Transition Responsibilities**

**2.171 Contractor Transition Responsibilities**

If the State terminates the 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 the 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 30 days. These efforts must include, but are not limited to, those listed in **Sections 2.171, 2.172, 2.173, 2.174, and 2.175**.

**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 the 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 must 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 the Contract. The Contractor must provide the State with asset management data generated from the inception of the Contract through the date on which the Contractor is terminated in a comma-delineated format unless otherwise requested by the State. The Contractor must 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 the Contract. This must include any documentation being used by the Contractor to perform the Services under the 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 the 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 must prepare an accurate accounting from which the State and Contractor may reconcile all outstanding accounts.

**2.176 State Transition Responsibilities**

In the event that the 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**

The State may, at any time, by written stop work order to Contractor, require that Contractor stop all, or any part, of the work called for by the Contract for a period of up to 90 calendar days after the stop work order is delivered to Contractor, and for any further period to which the parties may agree. The stop work order must be identified as a stop work order and must indicate that it is issued under this **Section 2.180**. Upon receipt of the stop work order, Contractor must immediately comply with its terms and take all reasonable steps to minimize incurring costs allocable to the work covered by the stop work order during the period of work stoppage. Within the period of the stop work order, the State must either: (a) cancel the stop work order; or (b) terminate the work covered by the stop work order as provided in **Section 2.150**.

**2.182 Cancellation or Expiration of Stop Work Order**

The Contractor must resume work if the State cancels a Stop Work Order or if it expires. The parties will agree upon an equitable adjustment in the delivery schedule, the Contract price, or both, and the Contract must be modified, in writing, accordingly, if: (a) the stop work order results in an increase in the time required for, or in Contractor's costs properly allocable to, the performance of any part of the Contract; and (b) Contractor asserts its right to an equitable adjustment within 30 calendar days after the end of the period of work stoppage; provided that, if the State decides the facts justify the action, the State may receive and act upon a Contractor proposal submitted at any time before final payment under the Contract. Any adjustment must conform to the requirements of **Section 2.024**.

**2.183 Allowance of Contractor Costs**

If the stop work order is not canceled and the work covered by the stop work order is terminated for reasons other than material breach, the termination must be deemed to be a termination for convenience under **Section 2.150**, and the State will pay reasonable costs resulting from the stop work order in arriving at the termination settlement. For the avoidance of doubt, the State is not liable to Contractor for loss of profits because of a stop work order issued under this **Section 2.180**.



**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 the 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 must 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 must 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, or physical or mental disability. Contractor further agrees that every subcontract entered into for the performance of the Contract or any purchase order resulting from the Contract must 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 must 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 the 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 the 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 the Contract would cause a reasonable party to be concerned about:
  - (i) the ability of Contractor (or a Subcontractor) to continue to perform the 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 the 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 must be able to continue to perform the 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-Purchasing Operations.
  - (2) Contractor must also notify DTMB Purchasing Operations 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 Purchasing Operations 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 the 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 the 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**

**2.241 Time of Performance**

- (a) Contractor must use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables according to the time schedules contained in the Statements of Work and other Exhibits governing the work, and with professional quality.
- (b) Without limiting the generality of **Section 2.241(a)**, Contractor must notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Deliverables/Services on the scheduled due dates in the latest State-approved delivery schedule and must inform the State of the projected actual delivery date.
- (c) If the Contractor believes that a delay in performance by the State has caused or will cause the Contractor to be unable to perform its obligations according to specified Contract time periods, the Contractor must notify the State in a timely manner and must use commercially reasonable efforts to perform its obligations according to the Contract time periods notwithstanding the State's failure. Contractor will not be in default for a delay in performance to the extent the delay is caused by the State.



**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, 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, workaround 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**

Unless otherwise specified by the State within an individual order, the following must be applicable to all orders issued under the Contract.

- (a) Shipment responsibilities - Services performed/Deliverables provided under the Contract must be delivered “F.O.B. Destination, within Government Premises.” The Contractor must have complete responsibility for providing all Services/Deliverables to all site(s) unless otherwise stated. Actual delivery dates must be specified on the individual purchase order.
- (b) Delivery locations - Services must be performed/Deliverables must be provided at every State of Michigan location within Michigan unless otherwise stated in the SOW. Specific locations will be provided by the State or upon issuance of individual purchase orders.
- (c) Damage Disputes - At the time of delivery to State Locations, the State must examine all packages. The quantity of packages delivered must be recorded and any obvious visible or suspected damage must be noted at time of delivery using the shipper’s delivery document(s) and appropriate procedures to record the damage.



Where there is no obvious or suspected damage, all deliveries to a State Location must be opened by the State and the contents inspected for possible internal damage not visible externally within 14 days of receipt. Any damage must be reported to the Contractor within five days of inspection

**2.252 Delivery of Deliverables**

Where applicable, the Statements of Work/POs contain lists of the Deliverables to be prepared and delivered by Contractor including, for each Deliverable, the scheduled delivery date and a designation of whether the Deliverable is a document (“Written Deliverable”), a good (“Physical Deliverable”) or a Service. All Deliverables must be completed and delivered for State review and written approval and, where applicable, installed according to the State-approved delivery schedule and any other applicable terms and conditions of the Contract.

**2.253 Testing**

- (a) Before delivering any of the above-mentioned Statement of Work Physical Deliverables or Services to the State, Contractor must first perform all required quality assurance activities to verify that the Physical Deliverable or Service is complete and conforms with its specifications listed in the applicable Statement of Work or Purchase Order. Before delivering a Physical Deliverable or Service to the State, Contractor must certify to the State that (1) it has performed the quality assurance activities, (2) it has performed any applicable testing, (3) it has corrected all material deficiencies discovered during the quality assurance activities and testing, (4) the Deliverable or Service is in a suitable state of readiness for the State’s review and approval, and (5) the Deliverable/Service has all Critical Security patches/updates applied.
- (b) If a Deliverable includes installation at a State Location, then Contractor must (1) perform any applicable testing, (2) correct all material deficiencies discovered during the quality assurance activities and testing, and (3) inform the State that the Deliverable is in a suitable state of readiness for the State’s review and approval. To the extent that testing occurs at State Locations, the State is entitled to observe or otherwise participate in testing.

**2.254 Approval of Deliverables, In General**

- (a) All Deliverables (Physical Deliverables and Written Deliverables) and Services require formal written approval by the State, according to the following procedures. Formal approval by the State requires the State to confirm in writing that the Deliverable meets its specifications. Formal approval may include the successful completion of Testing as applicable in **Section 2.253**, to be led by the State with the support and assistance of Contractor. The approval process will be facilitated by ongoing consultation between the parties, inspection of interim and intermediate Deliverables and collaboration on key decisions.
- (b) The State’s obligation to comply with any State Review Period is conditioned on the timely delivery of Deliverables/Services being reviewed.
- (c) Before commencement of its review or testing of a Deliverable/Service, the State may inspect the Deliverable/Service to confirm that all components of the Deliverable/Service have been delivered without material deficiencies. If the State determines that the Deliverable/Service has material deficiencies, the State may refuse delivery of the Deliverable/Service without performing any further inspection or testing of the Deliverable/Service. Otherwise, the review period will be deemed to have started on the day the State receives the Deliverable or the Service begins, and the State and Contractor agree that the Deliverable/Service is ready for use and, where applicable, certification by Contractor according to **Section 2.253**.
- (d) The State must approve in writing a Deliverable/Service after confirming that it conforms to and performs according to its specifications without material deficiency. The State may, but is not be required to, conditionally approve in writing a Deliverable/Service that contains material deficiencies if the State elects to permit Contractor to rectify them post-approval. In any case, Contractor will be responsible for working diligently to correct within a reasonable time at Contractor’s expense all deficiencies in the Deliverable/Service that remain outstanding at the time of State approval.
- (e) If, after three opportunities (the original and two (2) repeat efforts), the Contractor is unable to correct all deficiencies preventing Final Acceptance of a Deliverable/Service, the State may: (i) demand that the Contractor cure the failure and give the Contractor additional time to cure the failure at the sole expense of the Contractor; or (ii) keep the Contract in force and do, either itself or through other parties, whatever the Contractor has failed to do, and recover the difference between the cost to cure the deficiency and the contract price plus an additional sum equal to 10% of the cost to cure the deficiency to cover the State’s general expenses provided the State can furnish proof of the general expenses; or (iii) terminate the particular Statement of Work for default, either in whole or in part by notice to Contractor provided Contractor is unable to cure the breach. Notwithstanding the foregoing, the State cannot use, as a basis for exercising its termination rights under this Section, deficiencies discovered in a repeat State Review Period that could reasonably have been discovered during a prior State Review Period.



- (f) The State, at any time and in its reasonable discretion, may halt the testing or approval process if the process reveals deficiencies in or problems with a Deliverable/Service in a sufficient quantity or of a sufficient severity that renders continuing the process unproductive or unworkable. If that happens, the State may stop using the Service or return the applicable Deliverable to Contractor for correction and re-delivery before resuming the testing or approval process.

**2.255 Process for Approval of Written Deliverables**

The State Review Period for Written Deliverables will be the number of days set forth in the applicable Statement of Work following delivery of the final version of the Deliverable (and if the Statement of Work does not state the State Review Period, it is by default five Business Days for Written Deliverables of 100 pages or less and 10 Business Days for Written Deliverables of more than 100 pages). The duration of the State Review Periods will be doubled if the State has not had an opportunity to review an interim draft of the Written Deliverable before its submission to the State. The State agrees to notify Contractor in writing by the end of the State Review Period either stating that the Deliverable is approved in the form delivered by Contractor or describing any deficiencies that must be corrected before approval of the Deliverable (or at the State’s election, after approval of the Deliverable). If the State notifies the Contractor about deficiencies, the Contractor must correct the described deficiencies and within 30 Business Days resubmit the Deliverable in a form that shows all revisions made to the original version delivered to the State. Contractor’s correction efforts must be made at no additional charge. Upon receipt of a corrected Deliverable from Contractor, the State must have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Deliverable to confirm that the identified deficiencies have been corrected.

**2.256 Process for Approval of Services**

The State Review Period for approval of Services is governed by the applicable Statement of Work (and if the Statement of Work does not state the State Review Period, it is by default 30 Business Days for Services). The State agrees to notify the Contractor in writing by the end of the State Review Period either stating that the Service is approved in the form delivered by the Contractor or describing any deficiencies that must be corrected before approval of the Services (or at the State’s election, after approval of the Service). If the State delivers to the Contractor a notice of deficiencies, the Contractor must correct the described deficiencies and within 30 Business Days resubmit the Service in a form that shows all revisions made to the original version delivered to the State. The Contractor’s correction efforts must be made at no additional charge. Upon implementation of a corrected Service from Contractor, the State must have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Service for conformity and that the identified deficiencies have been corrected.

**2.257 Process for Approval of Physical Deliverables**

The State Review Period for approval of Physical Deliverables is governed by the applicable Statement of Work (and if the Statement of Work does not state the State Review Period, it is by default 30 continuous Business Days for a Physical Deliverable). The State agrees to notify the Contractor in writing by the end of the State Review Period either stating that the Deliverable is approved in the form delivered by the Contractor or describing any deficiencies that must be corrected before approval of the Deliverable (or at the State’s election, after approval of the Deliverable). If the State delivers to the Contractor a notice of deficiencies, the Contractor must correct the described deficiencies and within 30 Business Days resubmit the Deliverable in a form that shows all revisions made to the original version delivered to the State. The Contractor’s correction efforts must be made at no additional charge. Upon receipt of a corrected Deliverable from the Contractor, the State must have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Deliverable to confirm that the identified deficiencies have been corrected.

**2.258 Final Acceptance**

Unless otherwise stated in the Article 1, Statement of Work or Purchase Order, “Final Acceptance” of each Deliverable must occur when each Deliverable/Service has been approved by the State following the State Review Periods identified in **Sections 2.251-2.257**. Payment will be made for Deliverables installed and accepted. Upon acceptance of a Service, the State will pay for all Services provided during the State Review Period that conformed to the acceptance criteria.

**2.260 Ownership**

**2.261 Ownership of Work Product by State**

Contractor grants to the State a non-exclusive, royalty-free, site-wide, irrevocable, transferable license to use the Deliverables and related documents according to the terms and conditions of the Agreement. For the purposes of this license, “site-wide” includes any State of Michigan office regardless of its physical location.



**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 must 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 must 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 must 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**

The State and the Contractor will continue to own their respective proprietary technologies developed before entering into the Contract. Any hardware bought through the Contractor by the State, and paid for by the State, will be owned by the State. Any software licensed through the Contractor and sold to the State, will be licensed directly to the State.

**2.270 State Standards**

**2.271 Existing Technology Standards**

The Contractor must 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**

**2.290 Environmental Provision**

**2.291 Environmental Provision**

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 such 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 **Section 2.242** for a 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 must 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 the Contract.

**Environmental Performance:**

**Waste Reduction Program:** Contractor must establish a program to promote cost-effective waste reduction in all operations and facilities covered by the Contract. The Contractor's programs must 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**

**2.311 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.



**Attachment A, Pricing**

Michigan State University

Line Item	Budget Category	MPSC Share	TOTAL
<b>1</b>	<b>PERSONNEL</b>		
2	Salary		
3	Timothy Mrozowski, Professor	25,781	25,781
4	Marcus Metoyer, Academic Specialist	14,146	14,146
5	To be determined (TBD), Academic Specialist-Outreach	50,500	50,500
6	To be determined (TBD), Graduate Assistant	34,311	34,311
7	<i>Total Salary</i>	<u>124,738</u>	<u>124,738</u>
8	Fringe Benefits		
9	Timothy Mrozowski, Professor	7,165	7,165
10	Marcus Metoyer, Academic Specialist	5,035	5,035
11	To be determined (TBD), Academic Specialist-Outreach	21,712	21,712
12	To be determined (TBD), Graduate Assistant	3,938	3,938
13	<i>Total Fringe Benefits</i>	<u>37,850</u>	<u>37,850</u>
14	<b>Total Personnel</b>	<b><u>162,588</u></b>	<b><u>162,588</u></b>
<b>15</b>	<b>SUPPLIES, MATERIALS, AND EQUIPMENT</b>		
16	Printing	21,000	21,000
17	<b>Total Supplies, Materials, &amp; Equipment</b>	<b><u>21,000</u></b>	<b><u>21,000</u></b>
<b>18</b>	<b>CONTRACTUAL SERVICES</b>		
19	Alliance to Save Energy – BCAP	198,312	198,312
20	Public Sector Consultants	30,000	30,000
21	William Bezdek, Consultant	30,000	30,000
22	MSU Office of Survey Research	11,720	11,720
23	MSU University Services (website & graphics)	7,500	7,500
24	<b>Total Contractual Services</b>	<b><u>277,532</u></b>	<b><u>277,532</u></b>
<b>25</b>	<b>TRAVEL</b>		
26	Domestic	3,230	3,230
27	<b>Total Travel</b>	<b><u>3,230</u></b>	<b><u>3,230</u></b>
<b>28</b>	<b>OTHER EXPENSES</b>		
29	Program and Instructor Approval Fees	1,500	1,500
30	<b>Total Other Expenses</b>	<b><u>1,500</u></b>	<b><u>1,500</u></b>
31	Total Direct Cost	465,850	465,850
32	Indirect Cost (20%) on modified TDC \$292,538	58,508	58,508
33	Total Project Cost	<u>524,358</u>	<u>524,358</u>
34	Percentages		



**Attachment A2, Budget Justification**

Michigan State University

**(1) Personnel**

(3) Tim Mrozowski, professor, will be the MSU Project Director. He will oversee all scope of work contract activities. He will be directly involved with curriculum development for both the mass-training format and advanced training. He will make some of the presentations. He will be responsible for preparing the quarterly and final reports and will be the contact person for the State of Michigan. 10% of professor Mrozowski's effort will be allocated to this project which is equivalent of 16 hours/month over 24 months (less two summer months each year), or 320 hours. The hourly rate equivalent is \$80.56.

(4) Marcus Metoyer, academic specialist, will be involved with curriculum development and presenting at mass trainings and advanced trainings. 10% of his academic year salary and 10% of one month summer salary will be dedicated to this project which is equivalent to 16 hours/month over 24 months (less two summer months each year), or 320 hours. The hourly rate equivalent is \$44.21.

(5) The Academic Specialist-Outreach, TBD, will be involved in curriculum development, program approvals for building officials, interface with hosting organizations for logistics training, and compliance assessment activities. 50% of the specialist's effort will be dedicated to this project, or 1,920 hours in 24 months. The hourly rate equivalent is \$26.30.

(6) One graduate student will work on literature review, obtaining information from other state programs and curriculum development and program logistics. The graduate student will dedicate 20 hours per week for 24 months, or 1,920 hours. The hourly rate equivalent is \$17.87.

*The hourly rates reflect above are being provided for comparison purposes only. MSU does not maintain documentation of hours worked for its faculty and staff, with the exception of undergraduate students, but rather maintains documentation to support time expended on federally sponsored projects based on percentages of effort worked. This documentation is maintained in accordance with OMB Circular A-21, FAR 31.3.*

**(8) Fringe Benefits**

(9) Fringe benefits for Professor Mrozowski during the academic year (August-May) total \$6,965, at the rate of 29.87% in year one and 30.28% in year two. The fringe benefits for Professor Mrozowski during 10% of one summer month (for two years) total \$200 at a rate of 7.65%. The MSU fringe benefits are proportioned to time spent on the contracts.

(10) Fringe benefits for Marcus Metoyer during the academic year (August-May) total \$4,924 at the rate of 38.47% in year one and 39.02% in year two. The fringe benefits for Marcus Metoyer during 10% of one summer month (for two years) total \$111 at a rate of 7.65%. The MSU fringe benefits are proportioned to time spent on the contracts.

(11) Fringe benefits for the TBD Academic Specialist-Outreach, total \$21,712 at the rate of 42.65% in year one and 43.33% in year two. The MSU fringe benefits are proportioned to time spent on the contracts.

(12) Fringe benefits for the graduate assistant total \$3,938.

**(15) Supplies, Materials and Equipment**

(16) Printing costs for training kits: We will produce 3,000 training kits including folders, interactive CDs, training materials. Each kit will cost \$7.00 to produce.

**(18) Contractual Services**

(19) Alliance to Save Energy - BCAP will oversee and conduct primary activities on assessing code compliance, identifying barriers, developing the roadmap. BCAP's detailed budget is attachment A3.

(20) Public Sector Consultants (PSC) will develop compliance policies for Michigan and identify funding sources for maintaining compliance activities within the State of Michigan and local building departments to create policies to sustain this effort beyond this contract. PSC's detailed budget is attachment A4.

(21) William Bezdek will be involved with initial technical curriculum development and presentations. Presentations are compensated at the rate of \$1,000 per presentation which includes all travel costs, pre training preparations, post training



debriefing and reporting, and conducting the training. He will make 20 mass trainings. It is anticipated that the majority of the 20 trainings will be outside of the mid Michigan area and will require between travel and training 1 full day of his time. The \$1,000 rate is consistent with the rate we are paying under current grants for trainings that require a full day. The remaining \$10,000 will be for curriculum development input and advanced trainings at a billing rate of \$100 per hour which is his standard rate for engineering and consulting services.

(22) MSU Office of Survey Research (OSR) will provide 30 hours of consulting at \$100/hr on survey advice to SPDC on making Michigan specific modifications to the PNNL compliance survey, establishing database structure, statistical analysis methods, advice in interpretation of results, and report structure. The total budget for consulting on the survey is \$3,000. OSR will conduct five geographically distributed focus groups to gain input from building departments on barriers to compliance, opportunities and to gain insight into local building department operations as part of developing a compliance road map for Michigan. OSR experienced moderators will conduct the focus group sessions. Two moderators per focus group will receive \$60/hr. The amount of the OSR budget allocated for focus groups is \$6,000 (2 moderators\*\$60/hr\*10hrs\*5 = \$6,000). Focus group sessions are anticipated to be conducted in conjunction with statewide trainings where a subset of attendees will be invited to participate in the focus groups to be held immediately following the trainings. Focus groups are anticipated to be conducted in the major metropolitan areas of Michigan: Detroit, Lansing, Grand Rapids, Traverse City and one in the Upper Peninsula. Travel to the focus groups is included in the OSR budget which includes ten trips with average round trip miles of 200 each, reimbursed at the State of Michigan rate which is .365/mile. The total travel budgeted is \$720. Finally, OSR will consult on focus group data analysis at the rate of \$100/hr. 20 hours are allocated for focus group data analysis, totaling \$2,000.

(23) Units within MSU but external to SPDC will provide professional services for web design and maintenance and brochures and graphics support. These include MSU University Services for graphics and printing support and College of Agriculture and Natural Resources for website and other technical support. The cost of launching the website is \$1,500 and \$1,500 for reconfiguration in year two. MSU University graphic services range from an hourly rate of \$85-\$165/hr. We have used an average billing rate of \$100/hr. They will provide a graphics scheme and theme for educational materials.

**(25) Travel**

(26) Advanced trainings within the state of Michigan. 10 trainings distributed around Michigan, Traverse City, Gaylord, and the Detroit area. Average 1 way trip of 100 miles (10 – 200 mile trips) .365/mile. There will also be two trips to BCAP over the grant period with an average cost expected at \$885 each including \$0 for per diem, \$535 for flights, and \$175 per night for lodging in Washington DC. Travel rates were determined according to State of Michigan Official travel reimbursement rates as of October 1, 2010. Conlin Travel was contacted on 12/16/10 to determine the lodging and airfare rates to Washington DC. Travel for the 20+10 mass trainings is included in the Bill Bezdek subcontract line 21.

**(30) Other expenses**

(31) State of Michigan Program and Instructor Approval Fees \$1,500.

**(32) Indirect Cost**

20% of the total modified costs \$292,538 (less excess of 25,000 per Subcontract. Consultants and professional service contracts are not limited for indirect) amount to \$59,508. Indirect costs are for facilities and administration and are included at 20% because that is the rate typical for State of Michigan contracts with Michigan State University.

**(33) Total Project Cost**

Total project cost is the total direct cost plus the indirect cost.



Attachment A3, Detailed BCAP Subcontract Budget

Michigan State University

ALLIANCE TO SAVE ENERGY BUDGET PROPOSAL TEMPLATE-BUDGET TEMPLATE BY MONTH ACTUAL RATES										
GRANTOR:		Michigan RFP 07111300027 Energy Codes								
PROJECT TITLE:		Uniform Energy Code Compliance Assessment for Department of Energy, Labor, and Economic Growth								
PROJECT PERIOD:										
TOTAL CONTRACT REVENUE AMT:		33,120		75,972		47,501		41,719		198,312
TOTAL CONTRACT COST AMT:										198,312.17
BUDGET YEAR:			Task 4 Road Map	Task 6 Public Awareness Campaign	Task 7 Compliance, Enforcement Policy Options & Action Toolkit	Task 8 Compliance and Enforcement Mechanisms	Task Totals			
SALARIES, LEAVE & BENEFITS			Direct		Direct		Direct		Direct	
Name	Title	Hourly Rate	Hours	Amount	Hours	Amount	Hours	Amount	Hours	Amount
<b>DC DIRECT LABOR</b>										
Khan, Aleisha	Exec Dir, BCAP	63.78		0.00		0.00	50.0	3,189.00	50.0	3,189.00
Snyder, Robin	Advocacy Director, B-CAP	53.31	75.0	3,998.25	200.0	10,662.00	100.0	5,331.00	75.0	3,998.25
Miller, John	Sr Research Associate	24.36		0.00		0.00		0.00		0.00
Guhanick, Kelly	Research Associate	24.81	150.0	3,721.50	200.0	4,962.00	150.0	3,721.50	35.0	868.35
Lessans, Mark	Program Associate	17.44	150.0	2,616.00	150.0	2,616.00	80.0	1,395.20	120.0	2,092.80
Total DC Direct Labor			375.0	10,335.75	700.0	21,894.00	380.0	13,636.70	280.0	10,148.40
<b>NON-DC DIRECT LABOR</b>										
Dewein, Michael	Sr Technical Director, BCAP	55.52		0.00		0.00	50.0	2,776.00	100.0	5,552.00
Panetti, Cosimina	Sr Program Manager - BCAP	45.90		0.00		0.00	0.00	0.00	35.0	1,606.50
Semulka, Brian	Program Manager	33.33		0.00		0.00	0.00	0.00	0.00	0.00
Total Non-DC Direct Labor			0.0	0.00	0.0	0.00	50.0	2,776.00	135.0	7,158.50
<b>INTERNS</b>										
Interns - DC	DC Based Interns	11.00		0.00	20.0	220.00		0.00		0.00
Interns - CA	CA Interns	10.00		0.00		0.00		0.00		0.00
Total Interns Direct Labor			0.0	0.00	20.0	220.00	0.0	0.00	0.0	0.00
<b>TOTAL DIRECT LABOR</b>			<b>375.0</b>	<b>10,335.75</b>	<b>720.0</b>	<b>22,114.00</b>	<b>430.0</b>	<b>16,412.70</b>	<b>415.0</b>	<b>17,306.90</b>
<b>SUPPORT EXPENSES</b>										
	Printing and media					7,500.00				7,500.00
	Travel		3,000.00		3,000.00		3,000.00			9,000.00
	<b>Total</b>		<b>3,000.00</b>		<b>10,500.00</b>		<b>3,000.00</b>			<b>16,500.00</b>
<b>SUBTOTAL DIRECT COSTS</b>			<b>13,335.75</b>		<b>32,614.00</b>		<b>19,412.70</b>		<b>17,306.90</b>	<b>82,669.35</b>
<b>TOTAL DIRECT COSTS</b>			<b>13,335.75</b>		<b>32,614.00</b>		<b>19,412.70</b>		<b>17,306.90</b>	<b>82,669.35</b>
<b>INDIRECT COSTS AT APPROVED PROVISIONAL BILLING RATES</b>										
FRINGE ON INTERNS/PT		15.13%		0.00		33.29		0.00		33.29
FULL FRINGE RATE		41.53%		4,292.44		9,092.58		6,816.19		27,388.77
OVERHEAD		56.35%		8,242.98		17,603.66		10,875.56		44,815.78
G&A on Subtotal Direct Costs		28.02%		7,249.10		16,628.06		10,396.67		43,404.99
<b>TOTAL INDIRECT COSTS</b>			<b>19,784.52</b>		<b>43,357.58</b>		<b>28,088.43</b>		<b>24,412.29</b>	<b>115,642.82</b>
<b>TOTAL COSTS</b>			<b>33,120.27</b>		<b>75,971.58</b>		<b>47,501.13</b>		<b>41,719.19</b>	<b>198,312.17</b>



**Attachment A4, Detailed PSC Subcontract Budget**

Michigan State University

***Budget – Public Sector Consultants Inc. (PSC)***

The proposed budget for this project follows. This budget serves as an addendum to the letter of commitment from PSC dated November 23, 2010.

<b>Task</b>	<b>Budget</b>
<b>Task 1 – Stakeholder convening*</b> Includes meeting logistics, assisting in stakeholder identification, meeting material preparation, facilitation support	\$8,710
<b>Task 2 – Research and analysis of best practices</b>	\$8,800
<b>Task 3 – Report writing, editing, and dissemination**</b>	\$12,055
<b>Other – Project management, supplies, conference calls fees</b>	\$435
<b>Total</b>	<b>\$30,000</b>

\*Assumes up to three meetings with meeting space available free of charge; PSC has meeting space in Lansing available for up to 20 individuals and arrangements with several entities in Lansing that can accommodate approximately 50 individuals.

\*\*Assumes electronic version of report (PDF) will be supplied. Report will be professionally edited.