STATE OF MICHIGAN
ENTERPRISE PROCUREMENT

Department of Technology, Management, and Budget
525 W. ALLEGAN ST., LANSING, MICHIGAN 48913
P.O. BOX 30026 LANSING, MICHIGAN 48909

CONTRACT CHANGE NOTICE

Change Notice Number **3**

to

Contract Number **071B2200100**

CONTRACTOR	
	EMPHASYS COMPUTER SOLUTIONS INC
	3890 Charlevoix Ave #370
	Petoskey, MI 49770
	George Rodriguez
	305-599-2531
	grodriguez@emphasys-software.com
	*******4382

STATE			
	Program Manager	Michael Weiszbrod	DTMB
		517-373-9684	
		Weiszbrodm@Michigan.gov	
	Contract Administrator	Jarrod Barron	DTMB
		(517) 284-7045	
		barronj1@michigan.gov	

CONTRACT SUMMARY

AOD HOME OWNERSHIP-DTMB / MSHDA

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 10, 2012	January 9, 2015	5 - 1 Year	December 31, 2016

PAYMENT TERMS	DELIVERY TIMEFRAME

ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING	
☐ P-Card	☐ Direct Voucher (DV)	☐ Other	☐ Yes	☒ No

MINIMUM DELIVERY REQUIREMENTS

DESCRIPTION OF CHANGE NOTICE

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
☒	1 year	☐		December 31, 2017

CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE
$2,209,629.50	$480,238.13	$2,689,867.63

DESCRIPTION

Effective January 1, 2017, the State exercises the third option year and adds $480,238.13 to the contract to renew existing support, maintenance and hosting. See attached quote. All other terms, conditions, specifications and pricing remain the same. Per contractor, agency and DTMB Procurement agreement.

APPLICATION ORIENTED DESIGNS
9675 NW 117 AVENUE SUITE 305
MIAMI, FLORIDA 33178

November 29, 2016

Michigan State Housing
320 S. Walnut CASS Bldg 2nd floor
Lansing, MI 48933

Dear Valued Client,

As a valued client, we would like to thank you for your business. At Emphasys, we take great pride in our products and continue to make improvements to both our software and our customer service/technical support. We are committed to providing the highest quality of service and support to our clients.

The annual software maintenance coverage will expire on December 31, 2016. Effective January 1, 2017, the renewal cost for the software module(s) under contract are as follows:

Acuserver	237.02
LOL Edocs	13,390.31
QR Engine	6,873.85
QR SF Database	4,027.60
QR LT Database	2,604.47
QR Forec Database	1,892.91
Single Family	26,446.32
Tax Credit	25,677.32
Foreclosure	11,449.17
LOL	11,381.80
Loan Tracking	16,121.16
HomeOwnership Hosting	360,136.20

To assist in your budget planning and in accordance with the terms of the Agreement, this shall serve as our renewal notice. Our invoice for the renewal cost of Annual Support and Maintenance in the amount of $480,238.13 for the period of January 1, 2017 to December 31, 2017 will be forwarded to your attention under separate cover. Should you require additional information, please call our office at 305-599-2531 ext. 6607.

Sincerely,

Vilma Figueroa
vfigueroa@emphasys-software.com

Form No. DTMB-3521 (Rev. 10/2015)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract change will not be executed unless form is filed

STATE OF MICHIGAN

DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET

PROCUREMENT

525 W. ALLEGAN STREET
LANSING, MI 48933

P.O. BOX 30026
LANSING, MI 48909

CHANGE NOTICE NO. 2

to

CONTRACT NO. 071B2200100

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
Emphasys Computer Solutions Inc	George Rodriguez	Grodriguez@emphasys-software.com
3890 Charlevoix Ave #370	PHONE	CONTRACTOR'S TAX ID NO. (LAST FOUR DIGITS ONLY)
petoskey MI, 49770	305-599-2531	*****4382

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER / CCI	DTMB	Tracie Mansberger	517-373-9684	Mansbergert@Michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Jarrod Barron	517-284-7045	BarronJ1@michigan.gov

CONTRACT SUMMARY			
DESCRIPTION: Aod Home Ownership-Dtmb / Mshda			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 10, 2012	January 9, 2015	5 - 1 Year	December 31, 2015
PAYMENT TERMS		DELIVERY TIMEFRAME	
N/A		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
☐ P-card	☐ Direct Voucher (DV)	☐ Other	☐ Yes ☒ No
MINIMUM DELIVERY REQUIREMENTS			
N/A			

DESCRIPTION OF CHANGE NOTICE

EXERCISE OPTION?	LENGTH OF OPTION	EXERCISE EXTENSION?	LENGTH OF EXTENSION	REVISED EXP. DATE
☒	1 YEAR	☐		12/31/2016

CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE
$1,750,673.87	$ 458,955.63	$2,209,629.50

DESCRIPTION: Effective January 1, 2016, the State exercises the second option year and adds $458,955.63 to the contract to renew existing support, maintenance and hosting. See attached quote. All other terms, conditions, specifications and pricing remain the same. Per contractor, agency and DTMB Procurement agreement**.**

emphasys

We build software so you can build communities.

December 17, 2015

Vanessa McDonald
Michigan State Housing Development Authority
735 E. Michigan Avenue
Lansing, MI 48912

Dear Vanessa McDonald:

Per Contract No. 071B2200100, Emphasys Software (Emphasys) formally requests funding in the amount of $458,955.63, as per the cost table below, for the period of 1/1/2016 – 12/31/2016. These fees are solely for module annual maintenance/help-desk and hosting services.

Product	1/1/2016 - 12/31/2016
Lender Online	$10,997.00
Loan Tracking	$15,576.00
Single Family	$25,552.00
Foreclosure	$11,062.00
LIHTC Compliance	$24,809.00
AcuServer	$229.00
eDocs	$12,937.50
QuickReports	$14,878.13
Sub-Total	$116,040.63
Hosting	$342,915.00
TOTAL	$458,955.63

Respectfully,

George Rodriguez
General Manager, Housing Finance & Treasury

Form No. DTMB-3521 (Rev. 2/2015)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract change will not be executed unless form is filed

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

CHANGE NOTICE NO. 1

to

CONTRACT NO. 071B2200100

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
Emphasys Computer Solutions, Inc.	George Rodriguez	GRodriguez@emphasys-software.com
3890 Charlevoix Ave #370	PHONE	VENDOR TAX ID # (LAST FOUR DIGITS ONLY)
Petoskey, Mi. 49770	(305) 599-2531	4382

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER				
CONTRACT ADMINISTRATOR	DTMB	Whitnie Zuker	517-284-7030	Zukerw@michigan.gov

CONTRACT SUMMARY

DESCRIPTION:
AOD Home Ownership – DTMB / MSHDA

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 10, 2012	January 9, 2015	5, one year	January 9, 2015

PAYMENT TERMS	F.O.B.	SHIPPED TO
N/A	N/A	N/A

ALTERNATE PAYMENT OPTIONS	EXTENDED PURCHASING
☐ P-card ☐ Direct Voucher (DV) ☐ Other	☐ Yes **X** No

MINIMUM DELIVERY REQUIREMENTS
N/A

DESCRIPTION OF CHANGE NOTICE

EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF EXTENSION/OPTION	EXPIRATION DATE AFTER CHANGE
☐ No ☒ Yes	☒	☐	11 months	December 31, 2015

CURRENT VALUE	VALUE/COST OF CHANGE NOTICE	ESTIMATED REVISED AGGREGATE CONTRACT VALUE
$1,559,267.00	$191,406.87	$1,750,673.87

DESCRIPTION:
As of January 1, 2015, this Contract is hereby AMENDED and increased by $191,406.87 to exercise the option year and extend the contract until 12/31/15 to align the Hosting and Maintenance Support period of 01/01/2015 – 12/31/2015 (see attached SOW).

All other terms, conditions, specifications and pricing remain the same. Per contractor and agency agreement, and DTMB Procurement approval.

MICHIGAN DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
IT SERVICES
STATEMENT OF WORK

Project Title: **MSHDA AOD Homeownership**	**Period:** **01/01/2015 – 12/31/2015**
Requesting Department: **MSHDA**	**Date:** **4/24/2015**
Agency Project Manager: **Dace Koenigsknecht**	**Phone:** **517.241.4491**
DTMB Contract Administrator: **Tracie Mansberger**	**Phone:** **517.373.9684**

Brief Description of Services to be provided:
This Contract Change Request is submitted by the Department of Technology, Management and Budget ("DTMB" or "State") under the terms of the Contract #071B2200100 ("Contract") dated January 10, 2012, between DTMB and Emphasys Computer Solutions, Inc. ("Contractor" or "Vendor") in accordance with Section 2.002 Options to Renew of the Contract.

Emphasys Computer Solutions, Inc. was awarded Contract 071B2200100 to provide support for the Michigan State Housing Development Authority (MSHDA), Homeownership and Tax Credit Divisions Application Oriented Design (AOD) systems. The Contract base period of coverage is from January 10, 2012 - January 9, 2015. Per Contract Section 2.002 Options to Renew, this Contract may be renewed for up to five additional one-year periods.

Total cost for the time period of 01/01/2015 – 12/31/2015 is $450,665.51. The State has already partially or fully paid for several of the products through 12/31/15. Therefore, in order to align all of the products with the same end date of 12/31/15, the total cost required to support the end date of 12/31/15 is $331,663.87.

Because the current contract value remaining to allocate for future purchases is $140,257.00, the total cost of this contract change request is to add $191,406.87.

Current Contract Value: $1,559,267.00

Current Contract Value Remaining: $140,257.00.

Cost of Contract Change Request: $191,406.87

Amended Contract Value: $1,750,673.87

BACKGROUND:
The purpose of Contract 071B2200100 is to maintain, update, and host the Emphasys Company's proprietary Application Oriented Design (AOD) systems. These systems (Single Family, Lender on Line, Loan Tracking, Foreclosure, Tax Credit, and Acuserver) are used by the Michigan State Housing Development Authority (MSHDA), Homeownership and Tax Credit Divisions.

Contract 071B2200100 was executed on January 10, 2012. Since 2014, MSHDA has included a multi-user license to the following Application Software (hereinafter **"Single Family Additions"**):

Lender Online eDocs
QuickReports Engine
QuickReports - Single Family Database
QuickReports - Loan Tracking Database
QuickReports - Foreclosure Database

The project remains in the maintenance stage with no specific development work planned. The inclusion of the Single Family Additions have caused a slight increase in costs from the original expectation.

PROJECT OBJECTIVE/SCOPE OF WORK:
The Contractor will provide ongoing Hosting and Maintenance and Support for the first option year time period of 01/01/2015 – 12/31/2015.

Annual Hosting:

- Michigan State Housing Development Authority (MSHDA), Homeownership and Tax Credit Divisions Application Oriented Design (AOD) systems.

Annual Maintenance

- Lender Online-Annual Maintenance
- Loan Tracking-Annual Maintenance
- Single Family-Annual Maintenance
- Foreclosure-Annual Maintenance
- Low Income Housing TC Compliance-Annual Maintenance
- AcuServer-Annual Maintenance
- eDocs -Annual Maintenance
- QuickReports -Annual Maintenance

DELIVERABLES:
As agreed upon in Master Contract 071B2200100.

ACCEPTANCE CRITERIA:
As agreed upon in Master Contract 071B2200100.

PROJECT CONTROL AND REPORTS:
As agreed upon in Master Contract 071B2200100.

SPECIFIC DEPARTMENT STANDARDS:
As agreed upon in Master Contract 071B2200100.

PAYMENT SCHEDULE:
Total cost for the time period of 01/01/2015 – 12/31/2015 is $450,665.51. The State has already partially or fully paid for several of the products through 12/31/15 or thereafter. Therefore, in order to align all of the products with the same end date of 12/31/15, the total cost required to support the end date of 12/31/15 is $331,663.87.

Because the current contract value remaining to allocate for future purchases is $140,257.00, the total cost of this contract change request is to add $191,406.87.

1/1/2015 - 12/31/2015					
PRODUCT	**Annual Cost**	**Latest Period Covered**	**STATUS**	**REMAINING TO BILL THROUGH DEC 31 2015**	
Lender Online	$ 12,754.87	1/1/15 - 12/31/15	PAID	NONE	$ -
Single Family	$ 24,605.09	11/1/14-10/31/15	PAID	11/1/15 - 12/31/15	$ 4,100.85
Foreclosure	$ 10,651.84	1/1/15 - 12/31/15	PAID	NONE	$ -
Tax Credit	$ 23,558.70	7/1/14 - 6/30/15	PAID	7/1/15 - 12/31/15	$ 11,779.35
AcuServer	$ 1,029.86	1/1/15 - 12/31/15	PAID	NONE	$ -
eDocs	$ 12,500.00	1/1/15 - 12/31/15	NOT PAID	1/1/15 - 12/31/15	$ 12,500.00
QuickReports	$ 14,375.00	1/1/15 - 12/31/15	NOT PAID	1/1/15 - 12/31/15	$ 14,375.00
Loan Tracking	$ 14,999.15	6/1/15 - 5/31/16	NOT PAID	6/1/15 - 12/31/15	$ 8,749.50
Total	**$114,474.51**			**Total**	**$ 51,504.70**
Hosting	**$336,191.00**	1/1/15 - 12/31/15	PARTIAL PAID	3/1/15 - 12/31/15	**$ 280,159.17**
GRAND TOTAL	**$450,665.51**			**GRAND TOTAL**	**$ 331,663.87**
				Remaining Contract Value	$ 140,257.00
				Total Increase to Contract	**$ 191,406.87**

Payment will be made as agreed upon in Master Contract 071B2200100.

STATE CONTACTS:

The designated Agency Project Manager is:

Name: Dace Koenigsknecht
Department: MSHDA
Area: Administrative Office Services
Building/Floor: MSHDA Building, 4th floor
Address: 735 E Michigan Ave
City/State/Zip: Lansing, Mi. 48912
Phone Number: 517.241.4491
Fax Number: 517.335-2933
Email Address: koenigsknechtd1@michigan.gov

The designated DTMB Project Manager is:

Name: Tracie Mansberger
Department: DTMB Customer Service
Area: Customer Service supporting Treasury, Lottery, Gaming, Attorney General, & MSHDA
Building/Floor: Hollister Building 1st floor
Address: 106 W Allegan St
City/State/Zip: Lansing, Mi. 48933
Phone Number: 517.373.9684
Fax Number:
Email Address: mansbergert@michigan.gov

AGENCY RESPONSIBILITIES:
As agreed upon in Master Contract 071B2200100.

LOCATION OF WHERE THE WORK IS TO BE PERFORMED:

As agreed upon in Master Contract 071B2200100.

EXPECTED CONTRACTOR WORK HOURS AND CONDITIONS:

As agreed upon in Master Contract 071B2200100.

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET **February 13, 2012**
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

NOTICE
OF
CONTRACT NO. 071B2200100
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR **Emphasys Computer Solutions, Inc.** **3890 Charlevoix Ave #370** **Petoskey, Mi. 49770** **Email: GRodriguez@emphasys-software.com**	TELEPHONE George Rodriguez **(305) 599-2531** CONTRACTOR NUMBER/MAIL CODE BUYER/CA (517) 241-1640 **Mark Lawrence**
Contract Compliance Inspector: Mark Lawrence **AOD Home Ownership – DTMB / MSHDA**	
CONTRACT PERIOD: 3 **yrs. + 5 one-year options** From: **January 10, 2012** To: **January 9, 2015**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
ALTERNATE PAYMENT OPTIONS: ☐ P-card ☐ Direct Voucher (DV) ☐ Other	
MINIMUM DELIVERY REQUIREMENTS **N/A**	
MISCELLANEOUS INFORMATION:	

The terms and conditions of this Contract are those of ITB #RFP-DR-084R0200094, this Contract Agreement and the vendor's quote dated 8/24/2010. 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.

TOTAL ESTIMATED CONTRACT VALUE: $1,559,267.00

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

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

CONTRACT NO. 071B2200100

between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR **Emphasys Computer Solutions, Inc.** **3890 Charlevoix Ave #370** **Petoskey, Mi. 49770** **Email: GRodriguez@emphasys-software.com**	TELEPHONE George Rodriguez **(305) 599-2531** CONTRACTOR NUMBER/MAIL CODE BUYER/CA (517) 241-1640 **Mark Lawrence**
Contract Compliance Inspector: Mark Lawrence **AOD Home Ownership – DTMB / MSHDA**	
CONTRACT PERIOD: 3 **yrs. + 5 one-year options** From: **January 10, 2012** To: **January 9, 2015**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
ALTERNATE PAYMENT OPTIONS: ☐ P-card ☐ Direct Voucher (DV) ☐ Other	
MINIMUM DELIVERY REQUIREMENTS **N/A**	
MISCELLANEOUS INFORMATION: **The terms and conditions of this Contract are those of ITB #RFP-DR-084R0200094, this Contract Agreement and the vendor's quote dated 8/24/2010. 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: $1,559,267.00**	

THIS IS NOT AN ORDER: This Contract Agreement is awarded on the basis of our inquiry bearing the ITB No. RFP-DR-084R0200094. Orders for delivery will be issued directly by the Department of Technology, Management and Budget through the issuance of a Purchase Order Form.

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

FOR THE CONTRACTOR:	**FOR THE STATE:**
Emphasys Computer Solutions, Inc. Firm Name	Signature
Authorized Agent Signature	Jeff Brownlee, Chief Procurement Officer Name/Title
Authorized Agent (Print or Type)	DTMB, Procurement Division
Date	Date

STATE OF MICHIGAN
Department of Technology, Management and Budget
Procurement

Contract # 071B2200100
AOD Home Ownership – DTMB/MSHDA

Buyer Name: Mark Lawrence
Telephone Number: 517-241-1640
E-Mail Address: LawrenceM1@michigan.gov

Table of Contents

Article 1 – Statement of Work (SOW)		***6***
1.000	**Project Identification**	**6**
	1.001 Project Request	6
	1.002 Background	6
1.100	**Scope of Work and Deliverables**	**6**
	1.101 In Scope	6
	1.102 Out Of Scope	7
	1.103 Environment	7
	1.104 Work and Deliverable	9
	1.105 Anticipated Enhancements	22
1.200	**Roles and Responsibilities**	**25**
	1.201 Contractor Staff, Roles, And Responsibilities	25
	1.202 State Staff Roles and Responsibilities	28
	1.203 Other Roles and Responsibilities	29
1.3	**Project Plan**	**30**
	1.301 Project Plan Management	30
	1.302 Reports	31
1.4	**Project Management**	**31**
	1.401 Issue Management	31
	1.402 Risk Management	31
	1.403 Change Management	32
1.5	**Acceptance**	**32**
	1.501 Criteria	32
	1.502 Final Acceptance	34
1.6 Compensation and Payment		**34**
	1.601 Compensation and Payment	34
1.7	**Additional Terms and Conditions Specific to this SOW**	**36**
Article 2, Terms and Conditions		***37***
2.000	**Contract Structure and Term**	**37**
	2.001 Contract Term	37
	2.002 Options to Renew	37
	2.003 Legal Effect	37
	2.004 Attachments & Exhibits	37
	2.005 Ordering	37
	2.006 Order of Precedence	37
	2.007 Headings	38
	2.008 Form, Function & Utility	38
	2.009 Reformation and Severability	38
2.010	**Consents and Approvals**	**38**
	2.011 No Waiver of Default	38
	2.012 Survival	38

2.020	**Contract Administration**	**38**
	2.021 Issuing Office	38
	2.022 Contract Compliance Inspector	39
	2.023 Project Manager	39
	2. 024 Change Requests	39
	2.025 Notices	40
	2.026 Binding Commitments	41
	2.027 Relationship of the Parties	41
	2.028 Covenant of Good Faith	41
	2.029 Assignments	41
2.030	**General Provisions**	**41**
	2.031 Media Releases	41
	2.032 Contract Distribution	41
	2.033 Permits	41
	2.034 Website Incorporation	42
	2.035 Future Bidding Preclusion	42
	2.036 Freedom of Information	42
	2.037 Disaster Recovery	42
2.040	**Financial Provisions**	**42**
	2.041 Fixed Prices for Services/Deliverables	42
	2.042 Adjustments for Reductions in Scope of Services/Deliverables	42
	2.043 Services/Deliverables Covered	42
	2.044 Invoicing and Payment – In General	42
	2.045 Pro-ration	43
	2.046 Antitrust Assignment	43
	2.047 Final Payment	43
	2.048 Electronic Payment Requirement	43
2.050	**Taxes**	**43**
	2.051 Employment Taxes	43
	2.052 Sales and Use Taxes	44
2.060	**Contract Management**	**44**
	2.061 Contractor Personnel Qualifications	44
	2.062 Contractor Key Personnel	44
	2.063 Re-assignment of Personnel at the State's Request	45
	2.064 Contractor Personnel Location	45
	2.065 Contractor Identification	45
	2.066 Cooperation with Third Parties	45
	2.067 Contract Management Responsibilities	45
	2.068 Contractor Return of State Equipment/Resources	45
2.070	**Subcontracting by Contractor**	**46**
	2.071 Contractor full Responsibility	46
	2.072 State Consent to delegation	46
	2.073 Subcontractor bound to Contract	46
	2.074 Flow Down	46
	2.075 Competitive Selection	46
2.080	**State Responsibilities**	**46**
	2.081 Equipment	46
	2.082 Facilities	47
2.090	**Security**	**47**
	2.091 Background Checks	47
	2.092 Security Breach Notification	47
	2.093 PCI DATA Security Requirements	47
2.100	**Confidentiality**	**48**
	2.101 Confidentiality	48
	2.102 Protection and Destruction of Confidential Information	48
	2.103 Exclusions	49
	2.104 No Implied Rights	49
	2.105 Respective Obligations	49

2.110	**Records and Inspections**	**49**
2.111	Inspection of Work Performed	49
2.112	Examination of Records	49
2.113	Retention of Records	49
2.114	Audit Resolution	50
2.115	Errors	50
2.120	**Warranties**	**50**
2.121	Warranties and Representations	50
2.122	Warranty of Merchantability	51
2.123	Warranty of Fitness for a Particular Purpose	51
2.124	Warranty of Title	51
2.125	Equipment Warranty	51
2.126	Equipment to be New	52
2.127	Prohibited Products	52
2.128	Consequences for Breach	52
2.130	**Insurance**	**52**
2.131	Liability Insurance	52
2.132	Subcontractor Insurance Coverage	53
2.133	Certificates of Insurance and Other Requirements	54
2.140	**Indemnification**	**54**
2.141	General Indemnification	54
2.142	Code Indemnification	54
2.143	Employee Indemnification	54
2.144	Patent/Copyright Infringement Indemnification	55
2.145	Continuation of Indemnification Obligations	55
2.146	Indemnification Procedures	55
2.150	**Termination/Cancellation**	**56**
2.151	Notice and Right to Cure	56
2.152	Termination for Cause	56
2.153	Termination for Convenience	57
2.154	Termination for Non-Appropriation	57
2.155	Termination for Criminal Conviction	57
2.156	Termination for Approvals Rescinded	57
2.157	Rights and Obligations upon Termination	58
2.158	Reservation of Rights	58
2.160	**Termination by Contractor**	**58**
2.161	Termination by Contractor	58
2.170	**Transition Responsibilities**	**59**
2.171	Contractor Transition Responsibilities	59
2.172	Contractor Personnel Transition	59
2.173	Contractor Information Transition	59
2.174	Contractor Software Transition	59
2.175	Transition Payments	59
2.176	State Transition Responsibilities	59
2.180	**Stop Work**	**60**
2.181	Stop Work Orders	60
2.182	Cancellation or Expiration of Stop Work Order	60
2.183	Allowance of Contractor Costs	60
2.190	**Dispute Resolution**	**60**
2.191	In General	60
2.192	Informal Dispute Resolution	60
2.193	Injunctive Relief	61
2.194	Continued Performance	61
2.200	**Federal and State Contract Requirements**	**61**
2.201	Nondiscrimination	61
2.202	Unfair Labor Practices	61
2.203	Workplace Safety and Discriminatory Harassment	62

2.210	**Governing Law**	**62**
	2.211 Governing Law	62
	2.212 Compliance with Laws	62
	2.213 Jurisdiction	62
2.220	**Limitation of Liability**	**62**
	2.221 Limitation of Liability	62
2.230	**Disclosure Responsibilities**	**63**
	2.231 Disclosure of Litigation	63
	2.232 Call Center Disclosure	63
	2.233 Bankruptcy	63
2.240	**Performance**	**64**
	2.241 Time of Performance	64
	2.242 Service Level Agreement (SLA)	64
	2.243 Liquidated Damages	65
	2.244 Excusable Failure	65
2.250	**Approval of Deliverables**	**66**
	2.251 Delivery of Deliverables	66
	2.252 Contractor System Testing	66
	2.253 Approval of Deliverables, In General	67
	2.254 Process for Approval of Written Deliverables	68
	2.255 Process for Approval of Custom Software Deliverables	68
	2.256 Final Acceptance	69
2.260	**Ownership**	**69**
	2.261 Ownership of Work Product by State	69
	2.262 Vesting of Rights	69
	2.263 Rights in Data	69
	2.264 Ownership of Materials	69
2.270	**State Standards**	**70**
	2.271 Existing Technology Standards	70
	2.272 Acceptable Use Policy	70
	2.273 Systems Changes	70
2.280	**Extended Purchasing**	**70**
	2.281 MiDEAL (Michigan Delivery Extended Agreements Locally	70
2.290	**Environmental Provision**	**70**
2.300	**Deliverables**	**72**
	2.301 Software	72
	2.302 Hardware	72
	2.303 Equipment to be New	72
	2.304 Equipment to be New and Prohibited Products	72
2.310	**Software Warranties**	**72**
	2.311 Performance Warranty	72
	2.312 No Surreptitious Code Warranty	73
	2.313 Calendar Warranty	73
	2.314 Third-party Software Warranty	73
	2.315 Physical Media Warranty	73
2.320	**Software Licensing**	**74**
	2.321 Cross-License, Deliverables Only, License to Contractor	74
	2.322 Cross-License, Deliverables and Derivative Work, License to Contractor	74
	2.323 License Back to the State	74
	2.324 License Retained by Contractor	74
	2.325 Pre-existing Materials for Custom Software Deliverables	74

2.330 Source Code Escrow **75**
2.331 Definition 75
2.332 Delivery of Source Code into Escrow 75
2.333 Delivery of New Source Code into Escrow 75
2.334 Verification 75
2.335 Escrow Fees 75
2.336 Release Events 75
2.337 Release Event Procedures 75
2.338 License 76
2.339 Derivative Works 76

Exhibit A -Glossary ***77***

Exhibit B – Office of Enterprise Security Document ***80***

Attachment A – Cost Table ***83***

Attachment B - Organizational Chart ***90***

Attachment C – Hosting Environment ***91***

Attachment D Hardware and Network ***96***

Attachment E – Security and Disaster Recovery Process ***98***

Recovery Site **99**

Off-Site CD and Tape Storage **99**

Disaster Recovery Action Plan **99**

Recovery Testing **100**

Attachment F - Requirement for Hosting ***101***

Attachment G – Project Plan ***102***

Article 1 – Statement of Work (SOW)

1.000 Project Identification

1.001 Project Request

The purpose of this Contract is to maintain, update, and host the Emphasys Company's proprietary Application Oriented Design (AOD) systems. These systems (Single Family, Lender on Line, Loan Tracking, Foreclosure, Tax Credit, and Acuserver) are used by the Michigan State Housing Development Authority (MSHDA), Homeownership and Tax Credit Divisions.

1.002 Background

The Michigan State Housing Development Authority (MSHDA) is the state authority that has as its mission to provide financial and technical assistance through public and private partnerships to create and preserve decent, affordable housing for low and moderate-income Michigan residents.

MSHDA acquires its funds through Federal government programs (e.g., HUD), state government programs, and private investors (e.g., through the sale of bonds), and then provides benefits through multifamily loans, tax credits, single family loans, home improvement loans, Section 8 rental assistance, and community development grants and technical assistance programs. These benefits are generally provided through other entities, such as developers, banks, landlords, and local communities and development agencies.

The system will be used by approximately 40 MSHDA Homeownership and Tax Credit employees located at 735 E Michigan Avenue, Lansing, Michigan 48912. Additional users of the system include over 500 external stakeholders that upload data.

The United States Department of Housing and Urban Development (HUD) provides MSHDA with funding for the administration of the Homeownership programs. These federal programs provide financial and education support for homeowners in the State of Michigan.

MSHDA covers the entire state by contracting with agents and auditors that report back to MSHDA staff. These stakeholders access the Homeownership system AOD through the web (https://www.mshda.org) Data is entered by the stakeholders and reviewed by MSHDA staff. Reports are printed from the database applications.

Contractors are advised that the State has methods, policies, standards and guidelines that have been developed over the years. Contractors are expected to provide proposals that conform to State IT policies and standards. All services and products provided as a result of this contract must comply with all applicable State IT policies and standards in effect at the time the contract is issued. The Contractor must request exceptions to State IT policies and standards in accordance with DTMB processes. It will be the responsibility of the State to deny the exception request or to seek a policy or standards exception.

1.100 Scope of Work and Deliverables

1.101 In Scope

Contractor will provide the following services for the complete and successful support and maintenance of the proprietary AOD/Emphasys system providing the functionality required for the State's business operations for MSHDA – Homeownership and Tax Credit divisions. This project consists of the following components:

-
- Project Planning Services – To include project management and a final project plan
- Maintenance - Maintenance is defined as repair or replacement services provided after the expiration of the warranty period necessary to identify and repair software malfunctions in order to return the system to its original operating condition. Maintenance also includes an agreement to provide an annual renewable software subscription to include future upgrades (both major and minor revisions of the application) and ongoing contractor product support.

- Support.
    - Help Desk
    - Technical
- A Contractor hosted solution to include procuring, installing and maintaining application server(s) and other required hardware. The solution must include live, development, and test environments. The development and test hardware/operating system environment must resemble the live environment as closely as possible.
- Operations services for equipment at Contractor's site
    - Systems management
    - Disaster Recovery
    - Security administration services
    - Storage services
    - Backup and off-site retention
- Minimum: Daily incremental backups retained one month, weekend full backups retained three months, month-end full backups retained six months.
- Nearing the end of the contract:
    - Knowledge transfer to State staff and the contractor awarded the new contract
    - Smooth transition of the data transfer
- Future enhancements as needed

A more complete description of the supplies and/or services sought for this project is provided in Section 1.104, Work and Deliverables.

Subsequent to Contract signing, the State is responsible for monitoring changes/updates to any websites or web-links listed in this Contract. On an annual basis, the State will communicate in writing to the Contractor, any Change Requests that result from the State's monitoring of such Websites or Web-links. Upon the receipt of a Change Request, the Contractor shall examine the implications of the requested Change on the technical specifications, Contract schedule and price of the Deliverables and Services and shall submit to the State, without undue delay, a written proposal for carrying out the Change, with all costs of any work under the proposal to be the responsibility of the State.

All parties to this Contract agree that, as of Contract signing, Section 2.093 PCI DATA Security Requirements, is not applicable to this Contract. If, during the term of this Contract, the State submits any Change Requests to the Contractor or any laws or regulations become effective whereby Section 2.093 becomes applicable, then the State and the Contractor will work to develop a mutually agreed upon project plan to ensure Contractor's compliance with Section 2.093. All costs incurred under the project plan will be the responsibility of the State.

1.102 Out Of Scope

The following are out of the scope of this contract:

- Business process re-engineering services
- Licenses for any product, other than those required for the existing AOD/Emphasys Systems, and any non-transferable third party licenses
- Maintenance or enhancements other than what is required for the AOD/Emphasys Systems.

1.103 Environment

The links below provide information on the State's Enterprise information technology (IT) policies, standards and procedures which includes security policy and procedures, IT strategic plan, eMichigan web development and the State Unified Information Technology Environment (SUITE).

Contractors are advised that the State has methods, policies, standards and procedures that have been developed over the years. Contractors are expected to provide proposals that conform to State IT policies and standards. All services and products provided as a result of the RFP must comply with all applicable State IT policies and standards.

Enterprise IT Policies, Standards and Procedures:
http://www.michigan.gov/dmb/0,1607,7-150-56355-107739--,00.html

All software and hardware items provided by the Contractor must run on and be compatible with the MDTMB Standard Information Technology Environment. Additionally, the State must be able to maintain software and other items produced as the result of the Contract. Therefore, non-standard development tools may not be used unless approved by MDTMB. The Contractor must request, in writing, approval to use non-standard software development tools, providing justification for the requested change and all costs associated with any change. The MDTMB Project Manager must approve any tools, in writing, before use on any information technology project.

It is recognized that technology changes rapidly. The Contractor may request, in writing, a change in the standard environment, providing justification for the requested change and all costs associated with any change. The State's Project Manager must approve any changes, in writing, and MDTMB, before work may proceed based on the changed environment.

Enterprise IT Security Policy and Procedures:
http://www.michigan.gov/documents/dmb/1310_183772_7.pdf
http://www.michigan.gov/documents/dmb/1310.02_183775_7.pdf
http://www.michigan.gov/documents/dmb/1325_193160_7.pdf
http://www.michigan.gov/documents/dmb/1335_193161_7.pdf
http://www.michigan.gov/documents/dmb/1340_193162_7.pdf
http://www.michigan.gov/documents/dmb/1350.10_184594_7.pdf

The State's security environment includes:

- MDTMB Single Login.
- MDTMB provided SQL security database.
- Secured Socket Layers.
- SecureID (State Security Standard for external network access and high risk Web systems)

MDTMB requires that its single - login security environment be used for all new client-server software development. Where software is being converted from an existing package, or a client-server application is being purchased, the security mechanism must be approved in writing by the State's Project Manager and MDTMB Office of Enterprise Security.

IT Strategic Plan:
http://www.michigan.gov/itstrategicplan

IT eMichigan Web Development Standard Tools:
http://www.michigan.gov/documents/som/Look_and_Feel_Standards_302051_7.pdf

The State Unified Information Technology Environment (SUITE):
Includes standards for project management, systems engineering, and associated forms and templates – must be followed: http://www.michigan.gov/suite

The Contractor and its subcontractors shall comply with all DTMB security standards and the security access requirements for individual State facilities.

1.104 Work and Deliverable

I. Services (work) To Be Provided and Deliverables -

The system hardware and software will be installed and in operation on the contractor's proposed hosting platform. The exact date of implementation will be in the project plan.. The hardware must be installed and fully operational by that time.

Listed below are the tasks and deliverables needed.

A. Project Planning

The contractor has provided a draft project plan which is provided as Attachment G. Within 25 business days of execution of the contract, the contractor will provide a mutually agreed upon updated final Project Plan. See Section 1.301 Project Plan Management, for detailed requirements on the Project Plan.

Contractor responsibilities:

The contractor will provide as part of the project plan the following:

1. Quality Management Plan - This plan will contain, at a minimum:
   a. Quality Management Approach - Description of the contractor's approach for assuring the quality of work and deliverables completed during the project. At a minimum, the plan will address the following:
      i. Quality Assurance Process and Procedures - Description of the contractor's processes and procedures for conducting quality assurance activities, including the review and approval of all contract deliverables by the State.
      ii. Problem Reporting and Resolution - Including Integrated Issue Management.
      iii. Problem Escalation - Description of the process the contractor will use to address problems and resolve conflicts that cannot be resolved by a single team or business area, or that require a decision from upper-level management.

2. Software Development Approach - This plan describes the administrative and technical procedures to be used throughout the software development life cycle (SDLC) to control modifications and releases of the software. This deliverable will describe how the contractor will control software development with different schedules for different functionality. The document will include:
   a. The software development policies and procedures that will be executed.
   b. The process for recording and reporting the status of items and modification requests.
   c. The contractor's plan to ensure the completeness, consistency, and correctness of releases.
   d. Any controls put in place for the storage, handling, and delivery of the software releases.
   e. The initial design, development, and implementation (DDI) as well as ongoing maintenance, enhancement, reuse, reengineering, and all other activities resulting in software products.
   f. The acquired insight into, and any tool(s) for monitoring, the processes to be followed for change and version control, the methods to be used, and the approach to be followed for each software development activity.

Deliverables:

1. Updated Project Plan
2. Quality Management Plan
3. Software Development plan

Acceptance Criteria

Documents include, but are not limited to plans, design documents, project schedules, etc.

1. Documents are dated and in electronic format, compatible with State of Michigan software in accordance with Article 1.302.
2. Documents are reviewed and updated throughout the development process to assure requirements are delivered in the final product.
3. Draft documents are not accepted as final deliverables.
4. The documents will be reviewed and accepted in accordance with the requirements of the Contract and Appendices.
5. DTMB and MSHDA will review documents within a mutually agreed upon timeframe.
   a. Approvals will be written and signed by DTMB and MSHDA Project Managers.
   b. Unacceptable issues will be documented and submitted to the Contractor.
   c. After issues are resolved or waived, the Contractor will resubmit documents for approval within 30 days of receipt.

B. Software Maintenance and Support

MSHDA holds a perpetual license, not ownership.

Software charges are on the basis of Enterprise-wide.

Contractor is fully responsible to manage and administer the **AOD/Emphasys system**. In that regard, the Contractor shall supply annual software maintenance and support services that provide systems management (e.g., develop and provide corrections, changes, or workarounds for any defects, errors, or malfunctions in the Contractor software and that also provide new versions, updates and/or enhancements to the AOD/Emphasys software). Contractor must fully understand all the functionality provided by the AOD/Emphasys Systems software programs. Contractor must be able to explain how each aspect of the software works and be able to document needed corrections for submission to AOD/Emphasys Systems for resolution.

Software Maintenance and support will include but not limited to:

1. System Maintenance
2. Help Desk
3. Adaptive and Preventive Maintenance
4. Performance Maintenance
5. Documentation Update

Contractor Responsibilities:

1. During the life of the contract, the Contractor will provide staff for enhancements or trouble-shooting on the system as needed.
   a. Provide support to keep the AOD/Emphasys System running.
   b. There will be a single emergency toll-free number for immediate support..

2. Maintenance.
   a. All maintenance will be performed by qualified personnel who are familiar with the system.
   b. The Contractor will provide backup maintenance resources.
   c. The Contractor will provide for escalation of maintenance issues to ensure critical issues are resolved.
   d. The Contractor will provide remote diagnostic capabilities.
   e. The Contractor will provide one point of contact to report system malfunction whether malfunction is due to software or is of unknown origin. The Contractor will then be responsible for providing the appropriate remedy.
   f. The Contractor will make maintenance of the system available from the Contractor on an annually renewable Contract basis.
   g. Contractor will provide the following services for the system:
      i. Error Correction. Upon notice by State of a problem with the system (that can be verified), the Contractor shall use reasonable efforts to correct or provide a working solution for the problem.
      ii. The Contractor shall notify the State of any material errors or defects in the deliverables known, or made known to the Contractor from any source during the Contract term that could cause the production of inaccurate or otherwise materially incorrect, results.
      iii. The Contractor shall initiate actions, as may be commercially necessary or proper to effect corrections of any such errors or defects.
   h. Contractor will work with MSHDA to ensure data quality in the system.
   i. Contractor will work with other State and Federal agencies, and State Contractors to implement the AOD/Emphasys System requirements.
   j. Produce all State and Federal mandated reports and data transfers that are presently in the AOD/Emphasys system and reports required to meet future requirements.
   k. The services being provided must conform to the State's Project Management Methodology. The State's Project Management Methodology web site is http://www.michigan.gov/dit/0,1607,7-139-30637_31101---,00.html

3. System Maintenance Activities – Contractor will provide Software maintenance meeting the definitions below:
   a. System Maintenance refers to regular and routine work performed by the Contractor on the AOD/Emphasys System, and any ancillary systems or interfaces run by the Contractor under this contract.
   b. Includes any work required to correct defects in the system operation as required to meet contract requirements. This includes:
      i. Any routine file maintenance to update any information required for operation of the system such as data changes, constructing new edits, investigating batch job failures, investigating and correcting application defaults, repairing jobs run incorrectly, repairing problems due to system software failures, repairing problems due to operator or schedule error, rectifying problems due to web page, program, object, class, scripts, control language, or database errors, repairing security problems, repairing and restoring corrupted files, table structures, and databases, rectifying incorrect documentation, and repairing problems due to jobs run with incorrect data.
   c. The Contractor will perform system maintenance with approval from the State, and, as defined in the Scope of Work, for the component parts of the system after its implementation.

4. Adaptive and Preventive Maintenance Activities
   a. Adaptive and preventive maintenance addresses upgrades to the system due to technical changes to system components to keep the system maintainable, including the following services:
      i. Upgrades or patches of the application server, Windows components, operating system, or other system and application software.
      ii. Software modifications and upgrades necessary because of expiring contractor support.
      iii. Hardware, database, or application conversions that do not modify user functionality.
      iv. One-time loads or reformats of user data.
      v. Report distribution changes.
      vi. Disaster recovery plan activities.
   b. The changes should be transparent to the user.
   c. Adaptive release changes will be performed in a patch release.
   d. For major upgrades requiring a more significant amount of time to develop, test, and implement, the changes should be completed as part of a development release..

5. Performance Maintenance Activities - Performance maintenance addresses activities to improve the performance of the application.
   a. Performance maintenance includes the following services:
      i. Improve the performance, maintainability, or other attributes of an application system.
      ii. Data table restructuring.
      iii. Data purges and or archiving to reduce/improve data storage.
      iv. Run time improvements.
      v. Replace utilities to reduce run time.
      vi. Potential problem correction.
      vii. Data set expansions to avoid space problems.
   b. Performance maintenance changes will be performed in a patch release or, for major changes requiring significantly more time to develop, test, and implement, the changes should be completed as part of a development release or quarterly release.
   c. Activities that typically can be completed independent of a production release (e.g., data set expansions, data purges) may be completed on a more frequent basis (e.g., daily or weekly).

6. Application Repair –Contractor must offer patches or fixes to acknowledged issues of the AOD/Emphasys System within an acceptable timeframe.

7. Additional License Purchase as Needed- Additional licenses must be available for purchase as product adoption increases.
   8. Transition services such as file creations and data conversions that are necessary if MSHDA discontinues the use of this system solution in the future. Such transition services to be supplied by Contractor at an additional cost to be negotiated between MSHDA and Contractor, at the then prevailing Contractor hourly rates.

9. Application of one-off patches to support issue resolution outside of the agreed upon patching schedule must be supported by a Critical Bug Fix as published by Emphasys Software. Patches for Critical bug fixes will be scheduled at a time mutually acceptable to MSHDA and the Contractor. Application of patches for all other issues will be included in the next scheduled periodic patch application service.

State responsibilities:

1. MSHDA will be responsible for Applications administration including the following:
- Application User Setup
- Application Security Administration
- Report Writing
- Printer Configuration

Initial help desk calls (internal) and submission of escalated calls to Emphasys Support.2.

2. This support does not include MSHDA plans or AOD products new releases that require major technical architectural changes, except in the case of application provided by third party hosting service.
3. MSHDA Helpdesk is responsible for initiating and maintaining the support process with Emphasys.

Deliverables:

Functioning Help Desk
Installation of Low Income Housing TC module
Installation of AOD Lender Online module
Installation of Loan Tracking module
Installation of Single Family Mortgage Program module
Installation of Foreclosure and REO module
Installation of Acuserver module

Acceptance Criteria

1. The services will be accepted in accordance with the requirements of the contract.
2. DTMB and MSHDA will review maintenance requests within a mutually agreed upon timeframe from.
   a. Approvals will be written and signed by MSHDA Application Managers.
   b. Unacceptable issues will be documented and submitted to the Contractor.
   c. After issues are resolved or waived, the Contractor will resubmit a revised Maintenance Request for Approval of Services within 10 days.
3. The Contractor will maintain the tools and connectivity installed, in compliance with DTMB standards, to properly support and monitor the application.

C. Hosting Requirements

The AOD/Emphasys database system has been in continuous use for over a decade, and currently includes over 50,000 loan applications. MSHDA expects to process approximately 20,000 new applications each of the next several years. Contractor will provide for all required hardware/software to support the proposed hosting solution.

Services:

1. Prevent disruption of the AOD System
2. AOD/Emphasys Software License Maintenance
3. Hosting and Site Security
4. Equipment Maintenance & Support
5. Disaster Recovery Site

Contractor Responsibilities:

The Contractor must be able to provide the following ongoing tasks over the period of the contract:

i. AOD/Emphasys Software License Maintenance

ii. Equipment Maintenance & Support

a. **Software** - Apply hot-fixes and service packs as needed to address anomalies and security concerns. Software support applies to third party software including operating system, back ups, antivirus software, and any application software.

b. **Hardware** - Apply Firmware and Bios updates as needed to address anomalies and security concerns. Updates are provided by the hardware contractor and must be tested internally prior to install.

c. **Server** - Standard hardware and software maintenance as listed above to ensure reliability and optimal performance. This maintenance must occur weekly, monthly and quarterly depending on tasks.

d. **Firewall** - Must be deployed using current industry best practice model. Logs are to be monitored and maintained to ensure reliability and security.

e. **Anti-Viral** – Must provide a reliable industry-standard anti-virus system. Virus definition file maintenance and updates must be done daily to ensure complete virus protection. System must have weekly proactive scans during off peak periods.

f. **Power Systems and Infrastructure** – The facility must meet or exceed the Uptime Institute Tier 3 Data Facility standards. (http://www.uptimeinstitute.org/) Primary infrastructure systems must be monitored and redundant, with battery and generator backup power. Circuit load must be checked regularly to ensure reliable power to systems.

g. **Internet Connectivity** - Must be redundant connections with burstable bandwidth support. The connectivity must automatically adjust to handle increased load during an alert.

h. **Telephone Lines** - Service must be maintained and operational tested at regular intervals. Contractor must provide a 1-800 toll free phone line for help desk support calls for all users of the system to call.

i. **Encryption & Server Certificates** - Must be registered and installed on all web servers. All web traffic transferred from the AOD system to the public internet must be encrypted.

j. **Domain Names** – Must be registered for both the primary and alternate sites. Domain Name Services for all public facing web servers and all internal systems must be maintained and redundant.

k. **System Synchronization** - Data must be transferred between primary and secondary sites at regular intervals. The data must include, but is not limited to, all user related data, system logs and user documentation.

l. **Systems & Data Backup** - Must occur nightly in addition to site replication. Data must be transferred to tape or other portable media, removed from the data center, and stored at a secure site. Minimum: Daily incremental backups retained one month, weekend full backups retained three months, month-end full backups retained six months

m. **Systems Failover** – Failover to an alternate site is to be available at all times with little or no notice. In order to maintain uptime, critical services must be transferred in the event of a prolonged outage at the primary site. The alternate site must be located geographically separated from the primary site.

n. **Expansion of Bandwidth as Needed** - To deal with increased traffic caused by large system alerts, the data center must have the capacity to increase the minimum bandwidth in the event system monitoring shows a bottleneck.

o. **Expansion of Phone Lines as Needed** - To deal with increased demand for alerting, the site infrastructure hosting the systems must have the capacity to add additional phone lines with proper lead time.

p. **Server Computers** – Increased hardware capacity may be needed to deal with system expansion and performance needs. The site infrastructure hosting the systems must have the capacity to add additional servers and meet power needs.

q. **Network Systems as Needed** - To deal with increased traffic caused by large system alerts, the data center must have the capacity to increase the minimum bandwidth in the event system monitoring shows a bottleneck.

r. **Infrastructure Hardware** - Should be added as needed to deal with system expansion and performance needs. The site infrastructure hosting the systems must have the capacity to add additional equipment and meet power needs.

s. **Power Systems as Needed** - The site infrastructure hosting the systems must have the capacity to add additional power to meet growing needs.

t. The **AOD/Emphasys system must be fully functional 24 hours a day, 7 days a week, and 365 days a year.** In the event the functionality of the primary site is degraded the following fail-over procedures must be followed: When a situation occurs with MSHDA causing any limitation in performance or functionality, which cannot be resolved in the allotted time specified below, the following actions must be taken. Applicable definitions precede the required actions.

1. Definitions
   a. Normal business hours are defined as Monday through Friday, 8:00am to 5:00pm Eastern Standard Time.
   b. A non-business hour is defined as Monday through Friday 5:00pm to 8:00am Eastern Standard Time, plus all weekends and State holidays.

ii. Response Times for Support - Contractor must meet the following response times for support of the system:

- Critical (System outage) – Contractor response within 30 minutes, 24 hours per day 7 days a week, plan of action within 2 hours.
- High (Major modules down, some services available) Contractor response within 2 hours.
- Moderate (Majority of application is up, some services down) Contractor response within 4 hours.
- Low (Limited problem with no major disruptive ramifications) Contractor response by next day.

u. **Communications Server Fails** –Keep the AOD Coordinator informed via phone of the status of efforts to resolve the problems with the primary site.

v. **Network fails** – Phone the AOD/Emphasys System Network Coordinator. Keep the AOD/Emphasys Coordinator and the MSHDA project manager informed of the status of efforts to resolve the problem.

w. **Portal Server Fails** –Keep the AOD/Emphasys Coordinator and the MSHDA project manager informed of the status of efforts to resolve the problems with the primary site.

x. Performance and Capacity Management

- Monitor, collect, and analyze Server utilization data for CPU, memory, and disk space;
- Compile configuration data and usage patterns;
- Monitor Server performance;
- Establish thresholds and exception reporting procedures;
- Perform tuning based on available performance data;
- Review Server capacity trends;

- With the State's assistance, establish a schedule for contractor's performance of Server maintenance (for example, virus and malicious software detection, backup, disk space cleanup) and for implementing modifications and enhancements to the Web Hosting Environment so as to minimally impact availability of the Web Hosting Environment;
- Fire detection and suppression a system for early detection of fires and suppression in a manner that does not damage state equipment
- Air conditioning monitored facilities to control for temperature and humidity
- Facility monitoring for electrical and mechanical failures, fire detection, and leak detection
- Support services including system and network monitoring of backbone routers, WAN interfaces, routers, switches, and servers
- Network problem detection, tracking, and resolution process
- Installation of new and/or replacement hardware (procured by the State)

y. **Security Management** (See Attachment E)

- Define access controls for the Web Hosting Environment;
- Attempt to monitor the Web Hosting Environment for unauthorized access;
- Notify the State in accordance with the security procedures specified in the contractor's Security Guidelines if the contractor detects a security violation;
- Follow the procedures specified in the contractor Security Guidelines for logging, alarming and reporting of security violations;
- Provide and maintain virus and malicious software avoidance, detection, and elimination software for Servers;
- Conduct periodic security reviews;
- Validate the correct use of logical control features such as time-out password screens and password and logon administration;
- Verify proper assignment as per the State's instructions of access rights to source code and licensed software products; Physical security of the hosting location 24/7 and 365 day (monitored)
- Controlled access to facilities during business, including logged access by time and date
- Report access rights for State approval

z. **Storage Management Services**

- Maintain and implement database backup and restore processes and procedures to restore Servers following outages or corruption;
- Conduct daily backup and restore procedures so as not to adversely impact scheduled operations, including regular backups from disk to tape for the Servers during nightly backup windows;
- Assist the State in the restoration of files deleted or corrupted because of the State's actions.
- The Web Hosting Environment will provide daily incremental backup of all Servers with the ability to restore to the most recent backup;
- Backup and restore Content;

aa. Reports

1. Server Availability Reports

- Outage Summary Report
- Outage by Server Report
  - i. The start and end time of each outage;
  - ii. The duration of the outage;
  - iii. The IP address experiencing the outage;
  - iv. Reason for the outage, if known;
  - v. Description of the actions required to resolve the outage problem;
  - vi. Total time the Server was unavailable; and

vii. Name of the contractors technical team member responsible for resolving the problem.

2. Performance and Capacity Reports - graphical summary report contains a line graph and a bar chart showing the percentage of Servers in which utilization of a particular resource (i.e., CPU, memory, disk space) was either red, yellow, or green.

3. Capacity Summary Report - contains a bar chart and a table showing the percentage of Servers in which utilization of a particular resource (i.e., CPU, memory, and disk space) was either red, yellow, or green as defined above. There is also a bar chart and table that show overall resource utilization. The report shows approximately 24 months of data.

bb. **Hardware** - The Contractor has included a diagram of their proposed Hardware and Network infrastructure (Attachment D) in the contract.

The contractor has provided per (Attachment C). The Production infrastructure which is designed to be a High Availability environment.

It is expected the contractor will meet the following Standards:

- Connection: Minimum monthly uptime: 99.9%.
- System availability: 24x7x365.
- An Uninterruptible Power Supply must protect all servers.
- All servers should have dual network cards for fail-over.
- All servers must be located in a security locked room accessible only by authorized personnel
- All outside connections must pass through an approved State of Michigan Firewall.
- All servers are protected by State of Michigan approved Anti-Virus software.
- All servers must pass a State of Michigan approved vulnerability scan, with remediation in 48 hours.
- All servers have their OS upgraded upon release with ample time allowed for bug fixes.
- The contractors proposed solution must include the following environments:
    - Development
    - Testing
    - Live Production

The contractor may propose combining environments; however, the Live Production environment must be physically separate from the other environments.

Redundancy shall be designed into the system to handle failure situations and make system maintenance possible without experiencing downtime. Server redundancy is not required; however backup procedures minimize the chance of data loss in the event of a hardware failure. In the event of a prolonged outage due to hardware failure, other servers are available to temporarily run the application. Contractor may provide additional alternatives that will meet the redundancy requirement and will provide a cost savings to the State.

iii. **Hosting & Site Security** (See Exhibit B and Attachment E)

Physical system security is paramount. All systems must be housed within a secured facility and kept within a secured cabinet or cage. The facility must track and control all access entering and exiting the building and server room, as well as having physical security systems and video surveillance. Additionally, the State of Michigan will have rights in accordance with the Software License Agreement to continue use of the software without renewal of the Software Maintenance Agreement.

a. Location of Work Requirements - The work is to be performed, completed, and managed in (2) geographically separated level (3) compliant data centers. The data centers must be located in different geographic regions of the United States e.g. California and Texas.
b. Security and Confidentiality Requirements
   i. All sites must be secured from Internet, Intranet or On-Site intrusions or attacks.
   ii. All equipment must be kept secure from On-Site intrusions or attacks.
   iii. All data must be secured from Internet, Intranet or On-Site intrusions or attacks.
   iv. All Internet based data transmission must be encrypted.
c. The equipment must comply with the State of Michigan standards.

iv. **Disaster Recovery** (See Attachment E)

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

Attachment E contains a disaster recovery strategy document and includes:
- The strategy to recover to a known good state & resume after a site-loss disaster
- The ability to recover on-line transactions since the last backup in a non-site-loss disaster
- An annual demonstration of the ability to recover full functionality to another site
- Off-site transport of system and database backups

Security – In addition to documenting the disaster recovery and back up process, the Contractor must describe the security for all of the IT environments being hosted.

State Responsibilities:

1. Meet agreed upon responsibilities in order for CGI/Emphasys to produce the identified deliverables and service levels. These responsibilities include: providing access to all areas of the State owned facilities, as necessary; make decisions and provide information in a timely manner; provide access to all relevant tangible and intellectual property, to the extent possible.
2. Provide written authorization to CGI/Emphasys if any compliance report required actions are not to be taken or should be overridden based on their specific business requirements.
3. Maintain financial liability resulting from the inappropriate use of communication products (network systems and equipment) by MSHDA staff, unless such violation occurred as a result of actions or negligence by CGI/Emphasys staff.
4. Provide CGI/Emphasys with a copy of all relevant documents (for instance; purchase orders, rental/lease agreements, service agreements, warranties, amendments, and maintenance contracts) for the existing equipment and software covered in the Scope of Work.
5. Take all steps necessary with third party contractors to allow CGI/Emphasys to perform its obligations under this schedule to meet defined deliverables.
6. MSHDA must respond to CGI/Emphasys in advance, to the extent possible, of making any environmental changes that may negatively impact service levels such as environmental systems or facility engineering design.

Deliverables

Hardware procurement (See attachment C)
Server and Network infrastructure installation (See attachment D)

Acceptance Criteria

1. Fully functional production system:
   A. the DTMB project manager will verify that MSHDA can access the servers.
   B. the DTMB project manager will verify all MSHDA data loaded and accessible..

D. Implementation to Contractor Hosted Environment

Contractor shall provide Deliverables/Services and staff, and otherwise do all things necessary for or incidental to the implementation of the AOD System, including system migration, configuration, customization, and interfaces/integration. These deliverables are not all inclusive. CGI/Emphasys will coordinate with MSHDA and DTMB to transition the AOD systems from the DTMB Data Center to a CGI Data Center.

Contractor Responsibilities:

1. System Migration Plan– Contractor will be responsible for moving the application and data from the current State hosted environment. Install the same into the contractor hosted environment and test the system for accuracy.

   a. The migration plan shall include:
      i. Description of migration process
   b. Indication of any State resources needed.

2. Test Plan and Results - The Contractor shall provide comprehensive testing to validate functionality and performance.

- Testing will include:
  a. Hardware Performance testing:
     1. CPU utilization
     2. Disk space capacity
     3. Speed
     4. Citrix Access
  b. Data verification in the databases
     1. Online database
     2. Reporting database
  c. Application testing
     1. Agent/Lender testing
     2. MSHDA staff
     3. Printing
  d. Systems testing:
     1. Sequence for a complete system test
     2. Method for selecting cases
     3. Test cases
     4. Results and implications for overall system operation
     5. Corrective action and ongoing maintenance requirements
  e. User acceptance testing

f. Quality assurance testing

g. Performance testing (including load testing)

- The Contractor shall perform integration testing ensuring defects are not introduced when the unit is combined with the other software artifacts for the given iteration or release.
- The Contractor shall conduct User Acceptance, Quality Assurance and Performance Testing in accordance with the Test Plan in the Quality Assurance (QA) Testing environment.
  a. The Contractor shall resolve all defects and perform all other technical support required to successfully complete this testing.
  b. The Contractor shall conduct a walk-through of the testing process and the test results to enhance State understanding and to facilitate the State approval process, including a review of performance metrics and general "lessons learned" from all testing participants.

- User Acceptance Test (UAT) Cases
  a. The Contractor will develop the test plans for User Acceptance Testing to include expected results.
  b. The user acceptance test cases should include data edits and data validation criteria.

- User Acceptance
  a. The Contractor shall schedule, coordinate, monitor, and manage all User Acceptance Testing (UAT) activities.

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  b. The Contractor shall provide support for the duration of UAT.
  c. This support must include both business and technical assistance.
  d. The Contractor shall support the UAT by:
     i. Monitoring system performance
     ii. Investigating why data was not processed
     iii. Monitoring computer resource usage
     iv. Participating in problem review meetings
     v. Investigating problems and identifying potential problems
     vi. Investigating and ensuring user access to the system in the UAT environment
     vii. Generally helping the users execute tests and review results
  i. The Contractor shall correct all defects discovered during UAT in a timely manner by following normal application development procedures – modifying the appropriate configuration items in the development environment, unit and integration testing the change, promoting the configuration item to the testing environment, quality assurance testing the change, and promoting the change to the UAT environment.
  j. Promotions to UAT shall occur on a regularly scheduled basis unless it is an emergency situation (e.g., UAT cannot continue until problem is resolved).
  k. The Contractor must have procedures and tools for tracking, reporting, and correcting deficiencies.

3. Pilot AOD/Emphasys System Implementation
   a. Before statewide implementation, the Contractor shall conduct a Pilot implementation of the system
   b. The pilot start date and duration will be agreed upon with the State.

4. AOD/Emphasys System Implementation

a. After a successful Pilot, the system will roll out.
b. Prior to implementation, the Contractor will have full responsibilities to:
   i. Monitor progress against a detailed installation plan ensuring each task is completed accurately and on schedule.
   ii. Communicate with the State Project Managers to provide status and escalate issues.
   iii. Participate with the implementation team to coordinate activities, discuss status, and resolve issues.
   iv. Coordinate implementation with training.
   v. Ensure data readiness.
      1. Coordinate with the data conversion team to address manual and automated data correction activities pre- and post-conversion.
      2. Provide staff to perform manual and automated data, cleanup/conversion activities.
   vi. Implement new workflow:
      1. Work with State staff (DTMB and MSHDA) to plan the transition to the new workflow.
   vii. Provide onsite post-implementation help to resolve workflow and application issues.

State Responsibilities:

1. The State is responsible for providing end users (from State and agents and lenders) and subject matter experts to perform the user acceptance testing.
2. Users participating in UAT are expected to sign off on the test results at the completion of UAT, providing their recommendation to the State Project Managers for formal approval and readiness for production.
3. State testers will update the test cases with the test results during UAT testing. If results are successful, they will provide their signoff by marking the test case as 'Passed'

Deliverables:

1. System Migration Plan
2. Test plans for User Acceptance Testing
3. Approved Security and disaster Support Level Agreement (See attachment E)
4. Integration of server/network devices
5. Testing of hosting environment
   Unit
   System
   Integration
   Performance (load/stress)
   Parallel
   User Acceptance testing
6. Deployment/cutover

Acceptance Criteria

Service Deliverables include, hosting, system migration, security, help desk, and support.
1. The services will be accepted in accordance with the requirements of the contract.
2. DTMB and MSHDA will review a Request for Approval of Services within a mutually agreed upon timeframe from completion or implementation.
   a. Approvals will be written and signed by DTMB and MSHDA Project Managers.
   b. Unacceptable issues will be documented and submitted to the Contractor.
   c. After issues are resolved or waived, the Contractor will resubmit a Request for Approval of Services for approval within 30 days of receipt.

3. DTMB and MSHDA will review migrated and configured data within a mutually agreed upon timeframe from completion.
   a. Approvals will be written and signed by DTMB and MSHDA Project Managers.
   b. Unacceptable issues will be documented and submitted to the Contractor.
   c. After issues are resolved or waived, the Contractor will resubmit a request for approval within 30 days of receipt.
4. The Contractor has the tools and connectivity installed, in compliance with DTMB standards, to properly support and monitor the application.
5. Fully functional production system:
   In the vendor hosted environment, meeting all requirements of the contract.
   This system must be accepted and signed off by MSHDA and DTMB Project Managers.

E. Application Development for Future Enhancements

1.105 Anticipated Enhancements

MSHDA anticipates that the following enhancements to the system will be required during the term of this contract (a separate statement of work with further details will be provided once a contract is in place).

1. Revision to Missing Document report (must be operational within two months of contract execution)
   - Provide the option of not printing the following loan information:
     - Purchase Date.
     - Loan Amount.
     - Servicer name.
   - Allow the option of sorting by Closing Date and Reservation number in ascending order (within each series and originator).
   - Allow the option of printing the LT reservation memos.

2. User Security improvements
   - Allow role based edit/review security to the screen level or further
   - Require passwords to be complex
   - Require password change after a pre-determined number of days
   - Allow user administrator role which is capable of enacting the above functionality without having deeper access into the system.
   - Allow user role to have view access to all production data tables to be able to write custom reports independent of the contractor.

3. Future interfaces (to be determined and paid as separate line items after the contract is executed).
   - US Bank to exchange loan data electronically.
   - Risk assessment tools to verify income, employment, and credit, such as IRS, Credit Reporting Bureau, etc.
   - Emphasys ELITE system to ensure correct application of homeownership and voucher financial support for the constituents MSHDA serves.

4. Mortgage Servicing enhancements.
   - Down Payment Assistance (DPA) balance(s) housed and displayed in foreclosure module.
   - Additional field(s) to report current DPA balances for NSP and H4HH which are forgivable 10% and 20% per year respectively. Reduced on the anniversary date.
   - Type and amount of each DPA.

- Hardest Hit Fund loan balance.
- Screen access to history of all loan modifications.
- Cash Receipts register page break by bond series, or the ability to run a new bond series without re-entering data.
- Save and new option when entering expenses (similar to REO and gain/loss process).
- Advanced search by street name only.
- Selection criteria report of active servicers only (not originators).

5. Electronic tracker system for user entry of trouble tickets and application requests.

Other Future Enhancements

Enhancements will be required based on future federal and state requirements which are unknown today. A separate Statement of Work will be written for these required enhancements.

Contractor Responsibilities:

The Contractor must be able to respond, within one week, to requests to modify the AOD/Emphasys System to meet future needed functionality, including permission from the proprietary software contractor Emphasys if needed.

1. Application Adjustments & New Development - Contractor must provide the ability to request changes or new development work of the AOD/Emphasys Systems. Such work must be provided under a maintenance agreement, or at contract cost table 9, hourly rates.
2. Interoperability Development with Other Applications - Contractor must provide the ability to request integrations or interoperability with other products or services of the AOD/Emphasys System such as enhanced financial functionality. Such work must be provided under a maintenance agreement, or at contract cost table 9, hourly rates.
3. Systems Interface Adjustments & New Interfaces – Contractor must provide the ability for MSHDA to request changes or customizations to the application user interface of the AOD/Emphasys System. Such work must be provided under a maintenance agreement at additional cost.

The contractor will bid each enhancement request as a fixed price proposal. The contractor will not begin work until authorized by the MSHDA project manager. The order of completion will be determined by the MSHDA project manager. All approvals will be in writing and signed by MSHDA and DTMB Project Managers.

The contractor will provide the following for any enhancements requested during the contract period:

A. Develop Requirements Documentation. The requirement document must be delivered to the MSHDA and DTMB Project Managers within one week of the last requirements meeting.
B. Develop Project plan to include the following:
   1. A work breakdown structure of the major phases of the project, accounting for all tasks, deliverables, resources and milestones for the design, development, testing and implementation of the enhancement including all interfaces and other agency resources.
   2. Estimated hours and timetable for each task, deliverable, and milestone.
   3. Contractor resource loading by task and role.
   4. State resource loading by task and role. Note that any use of State personnel must be consistent with the description of the available state project team described in Section 1.202. If there are needs for State staff in addition to those referenced in Section 1.202, the Contractor should note this need.
   5. Critical path with parallel and dependent project tasks.

6. Any assumptions of constraints identified by the Contractor must be listed in the Project Plan.
7. List of any hardware that may need to be purchased, and get State approval before making the purchase.
8. The project plan must be delivered to the MSHDA's and DTMB's Project Managers within one week of the approval of the requirements document.

C. Develop design documentation
D. Program the application enhancement.
E. Develop test cases and conduct unit testing.
F. Develop installation plan.
G. Conduct user acceptance testing to ensure that the requirements are satisfied and to validate the results.
   1. Contractor will demonstrate to the State that all of the system requirements and functions have been satisfied.
   2. The State will determine if the Contractor has fulfilled all of the requirements.
   3. The Contractor will be responsible to modify any functionality or requirement that is viewed by the State as not acceptable.
   4. The Contractor will be responsible to add a function or requirement as defined in the requirements document that the Contractor failed to include.
   5. All modifications and/or additions to a function in the system as defined in the requirements document will be performed without any additional cost.
   6. This entire process will take place prior to installation and live implementation.
H. Documentation
   1. Provide complete, up-to-date, electronic manuals for the AOD/Emphasys system and its components, operations, maintenance, administration and use that are easily referenced, easily used and searchable.
J. Develop User Training for MSHDA staff. The training can be by Web conferencing or at State of Michigan's facilities.
K. Provide technical support during installation to State's production environment. This includes a 90-day warranty period for the enhancement.
L. Systems information and site data reports must be available on request.
M. Warranty Requirements
   1. After installation and configuration in the production environment, all issues discovered during the following 90-day period are resolved and accepted or waived by MSHDA and DTMB.

State Responsibilities:

1. Provide Emphasys Inc. with request for any enhancements

Acceptance Criteria:

Software enhancements may include, but not limited to, software product, development tools, support tools, data migration software, integration software and installation software. The following criteria apply to software enhancement deliverables*:*

a. Beta software is not accepted as final deliverable.
b. MSHDA and DTMB will review the software enhancements for acceptance of functionality, usability, installation, performance, security, standards compliance, backup/recovery and operation. Approvals will be written and signed by MSHDA and DTMB Project Managers. Unacceptable issues will be documented and submitted to the Contractor. After issues are resolved or waived, the Contractor will resubmit software for approval.
c. Software enhancements are installed and configured in appropriate environment (e.g. development, test, pre-live, live). Contingency plans and de-installation procedures and software are provided by Contractor and approved by the MSHDA and DTMB Project Managers.

d. Contractor will successfully test software enhancements in the development environment before moving the enhancement to the test and pre-live environments for final software testing by MSHDA and DTMB. Approvals will be written and signed by MSHDA and DTMB Project Managers.
e. Unacceptable issues will be documented and submitted to the Contractor. After issues are resolved or waived, the Contractor will resubmit test software, data and results for approval. Only after successful MSHDA testing in the test and pre-live area will the enhancement be implemented in the production environment by contractor's staff. This implementation should occur at an agreed upon time during non-business hours, such as late evenings or weekends.

1.200 Roles and Responsibilities

1.201 Contractor Staff, Roles, And Responsibilities

A. Contractor Staff

The Contractor will identify a Single Point of Contact (SPOC). The duties of the SPOC shall include, but not be limited to:

- supporting the management of the Contract,
- facilitating dispute resolution, and
- advising the State of performance under the terms and conditions of the Contract.

The State reserves the right to require a change in the current SPOC if the assigned SPOC is not, in the opinion of the State, adequately serving the needs of the State.

The Contractor will provide, and update when changed, an organizational chart (Attachment B) indicating lines of authority for personnel involved in performance of this Contract and relationships of this staff to other programs or functions of the firm. This chart must also show lines of authority to the next senior level of management and indicate who within the firm will have prime responsibility and final authority for the work.

All Key Personnel may be subject to the State's interview and approval process. Any key staff substitution must have the prior approval of the State. The State has identified the following as key personnel for this project:

- Project Manager
- System Architect
- Database Administrator

The Contractor will provide the following staffing listed below: The project manager/technical lead will coordinate all of the activities of the Contractor personnel assigned to the project and create all reports required by State. The Contractor's project manager/technical lead responsibilities include, at a minimum:

- Manage all defined Contractor responsibilities in this Scope of Services.
- Manage Contractor's subcontractors, if any
- Develop the project plan and schedule, and update as needed
- Serve as the point person for all project issues
- Coordinate and oversee the day-to-day project activities of the project team
- Assess and report project feedback and status
- Escalate project issues, project risks, and other concerns

- Review all project deliverables and provide feedback
- Proactively propose/suggest options and alternatives for consideration
- Utilize change control procedures
- Prepare project documents and materials
- Manage and report on the project's budget

Contractor must designate a systems engineer who has at least one year of experience managing the AOD/Emphasys System. Contractor must establish an on call schedule of systems engineers that guarantees that an experienced person is immediately available to address any system issues.

Regularly Scheduled Contact for Meetings – Must provide a single point of contact. Lead and Backup Engineers must be assigned. While incidents may be reported through any available channel, Contractor must make either the Lead or Backup engineer available for a weekly status update.

Personal Contact via Calls, Messages or Video Conferencing – Must provide access to support via phone and e-mail. The ability to videoconference, while not required, is highly valuable.

Professional Support Staff – Support staff must be trained on the product. Information about any unique aspects of the Michigan implementation must be recorded and available to all support personnel.

The Contractor will provide sufficient qualified staffing to satisfy the deliverables of this Statement of Work.

The Contractor is responsible for meeting the security requirements as defined and communicated by MSHDA; by implementing and maintaining the appropriate National Institute of Standards and Technology (NIST) security controls where MSHDA's assets are stored, accessed, transported and processed.

Resource Role & Name	Activities Performed	Duration
Emphasys **Project Manager** **George Rodriguez**	• Single Point of Contact (SPOC) • Initial Contact person representing Emphasys Software • Provides Emphasys executive oversight to project • Executive Monitoring of project progress • Supports the management of the Contract • Facilitates dispute resolution • Advises the State of performance under the terms and conditions of the Contract	Scheduled Instances during entire Project Timeframe
Emphasys **System Architect/Database Administrator** **Alfonso Iglesias**	• Provide software architecture expertise	Entire Project Timeframe (Actual)
Emphasys Developer/Analyst Pauline Williams	• Provide professional expertise software optimization and training	Entire Project Timeframe (Actual)
Emphasys Developer/Analyst	• Provide software architecture expertise	Entire Project Timeframe (Actual)

Resource Role & Name	Activities Performed	Duration
Luis Navarro		
CGI Hosting	• Provide Hosting Facility, hardware, and software to host MSHDA's Elite System.	Entire Project Timeframe
Emphasys Other staff as needed	• Provide professional expertise business and software optimization • Provide Training	Scheduled Instances during entire Project Timeframe

B. On Site Work Requirements

1. Location of Work

The work is to be performed, completed, and managed at the following locations:
Approved locations within the State of Michigan (approved by Contractor and DTMB Project Manager).

2. Hours of Operation:

a. Normal State working hours are 8:00 a.m. to 5:00 p.m. EST, Monday through Friday, with work performed as necessary after those hours to meet project deadlines. No overtime will be authorized or paid.
b. The State is not obligated to provide State management of assigned work outside of normal State working hours. The State reserves the right to modify the work hours in the best interest of the project.
c. Contractor shall observe the same standard holidays as State employees. The State does not compensate for holiday pay.

3. Travel:

See section 1.601 Compensation and Payment

4. **Additional Security and Background Check Requirements:**

Contractor must present certifications evidencing satisfactory Michigan State Police Background checks ICHAT and drug tests for all staff identified for assignment to this project.

In addition, proposed Contractor personnel will be required to complete and submit an RI-8 Fingerprint Card for the National Crime Information Center (NCIC) Finger Prints, if required by project.

Contractor will pay for all costs associated with ensuring their staff meets all requirements.

1.202 State Staff Roles and Responsibilities

The State will provide the following resources for the Contractor's use on this project:

- Work space
- Minimal clerical support
- Desk
- Telephone
- PC workstation
- Printer
- Access to copiers and fax machine

The State project team will consist of Executive Subject Matter Experts (SME's), project support, DTMB technical support, and a DTMB and Agency project manager:

Executive Subject Matter Experts
The Michigan State Housing Development Authority (MSHDA)'s Office of Homeownership and Tax Credits, has oversight responsibilities for all aspects of the AOD/Emphasys System as the project manager. The Operations Manager also serves as a lead worker for other staff assigned by the Director of HOMEOWNERSHIP & COMPLIANCE as support persons for the system. They shall be available on an as needed basis. The Executive SME's will be empowered to:

- Resolve project issues in a timely manner
- Review project plan, status, and issues
- Resolve deviations from project plan
- Provide acceptance sign-off
- Utilize change control procedures
- Ensure timely availability of State resources
- Make key implementation decisions, as identified by the DTMB project manager, within 48-hours of their expected decision date.

DTMB Project Manager Pam Johnson	• Provide State facilities, as needed • Coordinate the State resources necessary for the project • Facilitate coordination between various external contractors • Facilitate communication between different State departments/divisions • Provide acceptance and sign-off of deliverables/milestones • Review and sign-off of timesheets and invoices • Resolve project issues • Escalate outstanding/high priority issues • Utilize change control procedures • Conduct regular and ongoing review of the project to confirm that it meets original objectives and requirements • Document and archive all important project decisions • Arrange, schedule and facilitate State staff attendance at all project meetings	Entire Project Timeframe
MSHDA Operations Manager Katy Twining	• Resolve project issues in a timely manner • Review project plan, status, and issues • Resolve deviations from project plan • Provide acceptance sign-off • Utilize change control procedures • Ensure timely availability of State resources • Make key implementation decisions, as identified by the DTMB project manager, within 48-hours of their	Entire Project Timeframe

	expected decision date.	
MSHDA Department Manager Sheri Davio	• Resolve project issues in a timely manner • Review project plan, status, and issues • Resolve deviations from project plan • Provide acceptance sign-off • Utilize change control procedures • Ensure timely availability of State resources • Make key implementation decisions, as identified by the DTMB project manager, within 48-hours of their expected decision date.	Entire Project Timeframe
MSHDA Department Manager Pete Karsten	• Provide State facilities, as needed • Coordinate the State resources necessary for the project • Facilitate coordination between various external contractors • Facilitate communication between different State departments/divisions • Provide acceptance and sign-off of deliverable/milestone • Review and sign-off of timesheets and invoices • Resolve project issues • Escalate outstanding/high priority issues • Utilize change control procedures • Conduct regular and ongoing review of the project to confirm that it meets original objectives and requirements • Document and archive all important project decisions • Arrange, schedule and facilitate State staff attendance at all project meetings.	Entire Project Timeframe
DTMB Contract Administrator Mark Lawrence	• Support the management of the Contract	Entire Timeframe

DTMB shall provide a Contract Administrator whose duties shall include, but not be limited to, supporting the management of the Contract.

Name	Agency/Division	Title
Mark Lawrence	DTMB/Procurement	Buyer

1.203 Other Roles and Responsibilities

MSHDA is responsible for classifying their information assets and MSHDA/DTMB are responsible for ensuring that the contractor implements and maintains the appropriate levels of NIST security controls that correspond with the classification.

1.3 Project Plan

1.301 Project Plan Management

Preliminary Project Plan

Contractor provided a Preliminary Project Plan in Attachment G.

1. In particular, the Preliminary Project Plan will include a MS Project plan or equivalent (check the SUITE/PMM standard):
    a. A description of the deliverables to be provided under this contract.
    b. Target dates and critical paths for the deliverables.
    c. Identification of roles and responsibilities, including the organization responsible. Contractor is to provide a roles and responsibility matrix.
    d. The labor, hardware, materials and supplies required to be provided by the State in meeting the target dates established in the Preliminary Project Plan.
    e. Internal milestones
    f. Task durations
2. The Preliminary Project Plan shall include the following deliverable/milestones for which payment shall be made.
    a. Payment to the Contractor will be made upon the completion and acceptance of the deliverable or milestone, not to exceed contractual costs of the phase. A milestone is defined as complete when all of the deliverables within the milestone have been completed.
    b. Failure to provide deliverable/milestone by the identified date may be subject to liquidated damages as identified in Article 2.

Note: A Final Project Plan will be required.

Orientation Meeting

1. Twenty-five (25) calendar days from execution of the Contract, the Contractor will be required to attend an orientation meeting to discuss the content and procedures of the Contract.
2. The meeting will be held in Lansing, Michigan, at a date and time mutually acceptable to the State and the Contractor.
3. The State shall bear no cost for the time and travel of the Contractor for attendance at the meeting.

Performance Review Meetings

1. The State will require the Contractor to attend meetings yearly to review the Contractor's performance under the Contract.
2. The meetings will be held in Lansing, Michigan, or by teleconference, as mutually agreed by the State and the Contractor.
3. The State shall bear no cost for the time and travel of the Contractor for attendance at the meeting.

Project Control

1. The Contractor will carry out this project under the direction and control of the MSHDA Office of Homeownership and Tax Credit Programs in coordination with the Michigan Department of Information Technology.
    a. Contractor will use an automated tool for planning, monitoring, and tracking the Contract's progress and the level of effort of any Contractor personnel spent performing Services under the Contract.

c. The Contractor will manage the project in accordance with the State Unified Information Technology Environment (SUITE) methodology, which includes standards for project management, systems engineering, and associated forms and templates which is available at http://www.michigan.gov/suite

1. Contractor will use an automated tool for planning, monitoring, and tracking the Contract's progress and the level of effort of any Contractor personnel spent performing Services under the Contract. The tool shall have the capability to produce:
   - Staffing tables with names of personnel assigned to Contract tasks.
   - Project plans showing tasks, subtasks, deliverables, and the resources required and allocated to each (including detailed plans for all Services to be performed within the next 30 calendar days, updated semi-monthly).
   - Updates must include actual time spent on each task and a revised estimate to complete.
   - Graphs showing critical events, dependencies and decision points during the course of the Contract.
2. Any tool(s) used by Contractor for such purposes must produce information of a type and in a manner and format that will support reporting in compliance with the State standards.

1.302 Reports

Project status reporting formats must be submitted to the State's Program Manager for approval within ten business days after the effective date of the contract. Once both parties have agreed to the format of the report, it shall become the standard to follow for the duration of the contract.

The Contractor will provide a weekly report to the MSHDA staff for review and discussion. This report is currently defined and lists ticket issues and details, The MSHDA report must be updated by the Contractor to describe the actions taken to resolve each issue, and then returned to the MSHDA staff. This report must be returned to the MSHDA Coordinator prior to a mandatory weekly quality control conference call.

1.4 Project Management

1.401 Issue Management

An issue is an identified event that if not addressed may affect schedule, scope, quality, or budget. Contractor must describe their approach to managing issues associated with the successful completion of the project tasks. The Contractor will identify how issues will be captured, reported, escalated and resolved. The issue escalation process will be defined to include whether escalation will be based on age, severity, budget impact, etc. and where the escalation levels would be. Any issues regarding the operations as identified by the Contractor will be directed to MSHDA or DTMB Project Managers.
All ongoing issues will be managed with Contractor's response to issues listed in the weekly MSHDA quality control reports.

1.402 Risk Management

A risk is an unknown circumstance or event that, if it occurs, may have a positive or negative impact on the Contract. Contractor is to describe their approach to risk management for the project. Risk management generally involves (1) identification of the risk, (2) assigning a level of priority based on the probability of occurrence and impact on the project, (3) definition of mitigation strategies, and (4) monitoring of risk and mitigation strategy. The Contractor should define the frequency in which risk assessment reviews should occur and the individuals and groups that would be involved.

1.403 Change Management

Change management is defined as the process to communicate, assess, monitor, and control all changes to system resources and processes. The State also employs change management in its administration of the Contract.

If a proposed contract change is approved by the Agency, the Contract Administrator will submit a request for change to the Department of Technology Management and Budget, Procurement Buyer, who will make recommendations to the Director of Procurement regarding ultimate approval/disapproval of change request. If the DTMB Procurement Director agrees with the proposed modification, and all required approvals are obtained (including State Administrative Board), the Procurement Buyer will issue an addendum to the Contract, via a Contract Change Notice. Contractors who provide products or services prior to the issuance of a Contract Change Notice by the DTMB Office of Procurement, risk non-payment for the out-of-scope/pricing products and/or services.

The Contractor must employ change management procedures to handle such things as “out-of-scope” requests or changing business needs of the State while the migration is underway.

The Contractor will employ the change control methodologies to justify changes in the processing environment, and to ensure those changes will not adversely affect performance or availability.

1.5 Acceptance

1.501 Criteria

The following criteria will be used by the State to determine acceptance of services and/or deliverables provided under this contract. The criteria also cover two aspects of compliance: performance of the Contractor in meeting the requirements in the contract, and contract compliance, both financial and non-financial.

A. Document Deliverables - Documents include, but are not limited to plans, design documents, project schedules, user guides, and procedure manuals.
   B. Documents are dated and in electronic format, compatible with State of Michigan software in accordance with Article 1.302.
   C. Requirements documents are reviewed and updated throughout the development process to assure requirements are delivered in the final product.
   D. Draft documents are not accepted as final deliverables.
   E. The documents will be reviewed and accepted in accordance with the requirements of the Contract.
   F. The State will review technical documents within 30 days of receipt.
      a. Approvals will be written and signed by the State's Project Managers with assistance from other State resources and impacted Agencies.
      b. Unacceptable issues will be documented and submitted to the Contractor.
      c. After issues are resolved or waived, the Contractor will resubmit documents for approval within 30 days of receipt.

B. Software Deliverables - Software includes, but is not limited to, software product, development tools, support tools, data migration software, interfaces, integration software, and installation software.
   1. Beta software is not accepted as final deliverable.
   2. The software will be reviewed and accepted in accordance with the requirements of the contract.

3. MSHDA and DTMB will review software within a mutually agreed upon timeframe for acceptance of functionality, usability, installation, performance, security, standards compliance, backup/recovery, and operation.
   a. Approvals will be written and signed by MSHDA and DTMB Project Managers.
   b. Unacceptable issues will be documented and submitted to the Contractor.
   c. After issues are resolved or waived, the Contractor will resubmit software for approval within 30 days of receipt.
4. Final acceptance of the software will depend on the successful completion of User Acceptance Testing (UAT).
5. Testing will demonstrate the system's compliance with the requirements of the contract. At a minimum, the testing will confirm the following:
   a. Functional - the capabilities of the system with respect to the functions and features described in the contract.
   b. Performance - the ability of the system to perform the workload throughput requirements. All problems should be completed satisfactorily within the allotted time frame..

6. MSHDA and DTMB will review test software, data, and results within a mutually agreed upon timeframe.
   a. Approvals will be written and signed by MDCH and DTMB Project Managers.
   b. Unacceptable issues will be documented and submitted to the Contractor.
   c. After issues are resolved or waived, the Contractor will resubmit test software, data and results for approval within 30 days of receipt.
7. DTMB will review software license agreements within a mutually agreed upon timeframe.
   a. Approvals will be written and signed by MSHDA and DTMB Project Managers.
   b. Unacceptable issues will be documented and submitted to the Contractor.
   c. After issues are resolved or waived, the Contractor will resubmit the license agreement for approval and final signature by authorized State signatory within 30 days of receipt

C. <u>Service Deliverables</u> - Services include, but are not limited to training, data migration, help desk, and support.
   1. The services will be accepted in accordance with the requirements of the contract.
   2. The State will review a Request for Approval of Services within 30 days of completion or implementation.
      a. Approvals will be written and signed by the State's Project Managers.
      b. Unacceptable issues will be documented and submitted to the Contractor.
      c. After issues are resolved or waived, the Contractor will resubmit a Request for Approval of Services for approval within 30 days of receipt.
   3. The State will review migrated and converted data within 30 days of completion.
      a. Approvals will be written and signed by the State's Project Managers.
      b. Unacceptable issues will be documented and submitted to the Contractor.
      c. After issues are resolved or waived, the Contractor will resubmit a request for approval within 30 days of receipt.
   4. State staff will received the training services as stated in Attachment A.
   5. The Contractor has the tools and connectivity installed, in compliance with State standards, to properly support and monitor the system.

<u>Ongoing Operations</u> - For ongoing activities, such as project status reports and work plan updates, acceptance of the initial report or plan will constitute acceptance of the deliverable, for purposes of services' payment.

1.502 Final Acceptance

The following criteria will be used by the State to determine Final Acceptance of each Task provided under the SOW.

1. All documents, software and services of an enhancement request are delivered and accepted by MSHDA and DTMB in accordance with the requirements of this contract.

2. After installation and configuration in the production environment, all issues discovered during the following 30-day period are resolved and accepted or waived by MSHDA and DTMB. Approvals will be written and signed by MSHDA and DTMB Project Managers.

1.6 Compensation and Payment

1.601 Compensation and Payment

The project will be paid on a firm, fixed price deliverable-basis. See Attachment A.

Payment
MSHDA/DTMB will compensate the Contractor in accordance with the agreed upon deliverable price. All invoices should reflect actual work done. Specific details of invoices and payment will be agreed upon between MSHDA/DTMB and the Contractor after the proposed Contract Agreement has been signed and accepted by both the Contractor and the Director of Purchasing, Department of Technology Management and Budget. This activity will occur only upon the specific written direction from the Procurement.

Contractor will submit properly itemized invoices to the “Bill To” address on the Purchase Order. Invoices shall provide information, and itemize, as applicable:

- Contract number;
- Purchase Order number;
- Contractor name, address, phone number, and Federal Tax Identification Number;
- Description of any commodities/equipment, including quantity ordered;
- Date(s) of delivery and/or date(s) of installation and set up;
- Price for each item, or Contractor’s list Price for each item and applicable discounts;
- Maintenance charges;
- Net invoice Price for each item;
- Shipping costs;
- Other applicable charges;
- Total invoice Price; and
- Payment terms including any available prompt payment discounts.
- If fixed price, attach fixed price quote for that job.
- If time and materials, attach contractor’s time sheet to reflect days and times worked.

Hosting shall be invoice monthly. Invoices shall be sent at the first of each month. Software licensing shall be invoiced annually, in advance.

Implementation is complete with the completion of A. Project Planning, and D. Implementation to a Contractor Hosted Environment, in the section 1.104 Work and Deliverables. Payment will be as follows:

	% times implementation cost (see Attachment A, Cost Tables, Table 2)	Payment amount
20% on acceptance of Project Planning Deliverables (see section 1. A. Project Planning, Deliverables, p. 10)	.20 X $85,270.00	$17,054.00
30% on acceptance of Hosting Deliverables (see section 1.C. Hosting Requirements, Deliverables, p. 19)	.30 X $85,270.00	$25,581.00
50% on acceptance of "Implementation to a Contractor Hosted Environment" (see section 1. D. Implementation to a Contractor Hosted Environment, Deliverables)	.50 X $85,270.00	$42,635.00
total		$85,270.00

Future Enhancements may be invoiced according to the terms of the Statement of Work, and the purchase order. MSHDA is budgeting for approximately 400 hours per year.

Out-of-Pocket Expenses
Contractor 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 such an expense at the State's current travel reimbursement rates.

In the event travel is required, all travel reimbursement will be paid according to the State of Michigan's Standardized Travel Rates and Regulations. This information may be found at: http://www.michigan.gov/dmb/0,1607,7-150-9141_13132---,00.html

All air, car and hotel reservations must be made through the State Contract with Passageways Travel at (517) 333-5880 or (800) 915-8729. All original receipts must be included with your travel voucher and invoices, which must include the purchase order number. Failure to follow this policy will result in reduced reimbursement.

Travel expenses **will be** reimbursed as an out-of-pocket expense. This includes travel costs related to training provided to the State by the Contractor. Travel time will **not** be reimbursed. No travel or expenses will be reimbursed without the prior written approval of the DTMB project manager.

Maintenance and support charges shall be invoiced on an annual basis, in advance. Payment of maintenance service/support of less than one (1) month's duration shall be prorated at 1/30th of the basic monthly maintenance charges for each calendar day. The State will not pay for maintenance on modules the State is not using. The State will only pay maintenance on modules that are running in production.

Incorrect or incomplete invoices will be returned to Contractor for correction and reissue.

1.7 Additional Terms and Conditions Specific to this SOW

The Contractor will serve as the custodian of Michigan State Housing Development Authority (MSHDA) Personal Identifying Information (PII). If, as a result of the Contractor's failure to perform as agreed, the State is challenged by a governmental authority or Third Party as to its conformity to or compliance with State and Federal statutes, regulations, ordinances or instructions, the Contractor shall be liable to the State for any costs legally or financially associated with loss of conformity or compliance.

Data Owner: The Data owner is the Michigan State Housing Development Authority (MSHDA). MSHDA holds the authority for all decisions of release and transmission of the data. All requests to release or transmit the data shall be directed to MSHDA for approval. MSHDA is responsible for classifying their information assets. Data classification: Personal Identifying Information (PII)

A. Directives
Contractor must be in compliance with the Federal Department of Housing and Urban Development whose regulations can be found at http://www.hud.gov.

The contractor will maintain the Lender Online (LOL), Loan Tracking (LT) and Single Family (SF) products compliant with any HUD regulatory changes in regards to Income and Acquisition Cost Limits.

Security Breach: A security breach is defined by the Identity Theft Protection Act (Act 452 of 2004), as amended April 1, 2011, published at http://www.legislature.mi.gov. The Contractor shall contact MSHDA Project Manager within one business day to advise them of any risk of breach in security where personal identifying information has been compromised. In the event of a security intrusion, the Contractor agrees to provide full cooperation to conduct a thorough security review. The review will validate compliancy with NIST and DTMB security controls for protecting personal identifying information. The Contractor's intrusion detection group will utilize tools, and actively monitor for detection into the Contractor's environment 24 x 7.

The Contractor must be in compliance with the State of Michigan Social Security Number Privacy Act (Act 454 of 2004), published at http://www.legislature.mi.gov

The Contractor shall provide SOC (Service Organization Controls) 2, type 2 report to MSHDA Project Manager, upon request. This report should provide detailed information on the Contractor's controls that affect the security, availability, and processing integrity of the Contractor's systems, as well as the confidentiality and privacy of the customer's information. This report should also describe the test of the design and effectiveness of those controls and describe the associated test results.

B. Other Contractors
The State has and/or may contract with other entities to perform technical services or provide other equipment

Article 2, Terms and Conditions

2.000 Contract Structure and Term

2.001 Contract Term

This Contract is for a period of three years beginning **January 10, 2012 through January 9, 2015**. There are also five possible one-year extensions. 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

This Contract may be renewed in writing by mutual agreement of the parties not less than 30 days before its expiration. The Contract may be renewed for up to five additional one-year periods.

2.003 Legal Effect

Contractor shall show acceptance of this Contract by signing two copies of the Contract and returning them to the Contract Administrator. The Contractor shall not proceed with the performance of the work to be done under the Contract, including the purchase of necessary materials, until both parties have signed the Contract to show acceptance of its terms, and the Contractor receives a 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 this Contract, until Contractor is notified in writing that this Contract (or Change Order) has been approved by the State Administrative Board (if required), approved and signed by all the parties, and a 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 this Contract, are incorporated in their entirety and form part of this 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 this Contract. All orders are subject to the terms and conditions of this 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 or Blanket Purchase Order's accompanying Statement of Work. Exact quantities to be purchased are unknown; however, the Contractor will be required to 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

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.**

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 the 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

This Contract is issued by the Department of Technology Management and Budget, Procurement and MSHDA (collectively, including all other relevant State of Michigan departments and agencies, the "State"). Procurement is the sole point of contact in the State with regard to all procurement and contractual matters relating to the Contract. The Procurement Contract Administrator for this Contract is:

Mark Lawrence, Buyer
Procurement
Department of Technology Management and Budget
Mason Bldg., 2nd Floor
PO Box 30026
Lansing, MI 48909
Lawrencem1@michigan.gov
517-241-1640

2.022 Contract Compliance Inspector

The Director of Procurement directs the person named below, or his or her designee, to monitor and coordinate the activities for the Contract on a day-to-day basis during its term. **Monitoring Contract activities does not imply the authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of the Contract. Procurement is the only State office authorized to change, modify, amend, alter or clarify the prices, specifications, terms and conditions of this Contract.**

Pam Johnson
Department of Technology Management and Budget
Agency Services, MSHDA Support Team
7285 Parsons Dr., Operations Center, 1SC
Lansing, MI. 48913
517-636-6213

2.023 Project Manager

The following individual will oversee the project:

MSHDA Project Manager
Dean Feldpausch
Michigan Department of Labor and Economic Growth
Michigan State Housing Development Authority
735 E. Michigan Ave.
Lansing, MI
517-373-9792

DTMB Project Manager
Pam Johnson
Michigan Department of Technology Management and Budget
Agency Services, MSHDA Support Team
7285 Parsons Dr., Operations Center, 1SC
Lansing, MI. 48913
517-636-6213

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 State requests or directs the Contractor to perform any Services/Deliverables that are outside the scope of the Contractor's responsibilities under the Contract ("New Work"), the Contractor must notify the State promptly, and before commencing performance of the requested activities, that it believes the requested activities are New Work. If the Contractor fails to notify the State before commencing performance of the requested activities, any such activities performed before the Contractor gives notice shall be conclusively considered to be in-scope Services/Deliverables, not New Work.

If the State requests or directs the Contractor to perform any services or provide deliverables that are consistent with and similar to the Services/Deliverables being provided by the Contractor under the Contract, but which the Contractor reasonably and in good faith believes are not included within the Statements of Work, then before performing such services or providing such deliverables, the Contractor shall notify the State in writing that it considers the services or deliverables to be an Additional Service/Deliverable for which the Contractor should receive additional compensation. If the Contractor does not so notify the State, the Contractor shall have no right to claim thereafter that it is entitled to additional compensation for performing that service or providing that deliverable.

If the Contractor does so notify the State, then such a service or deliverable shall be governed by the Change Request procedure in this Section.

In the event prices or service levels are not acceptable to the State, the Additional Services or New Work shall be subject to competitive bidding based upon the specifications.

(1) Change Request at State Request
If the State should require Contractor to perform New Work, Additional Services or make changes to the Services that would affect the Contract completion schedule or the amount of compensation due Contractor (a "Change"), the State shall submit a written request for Contractor to furnish a proposal for carrying out the requested Change (a "Change Request").

(2) Contractor Recommendation for Change Requests:
Contractor shall be entitled to propose a Change to the State, on its own initiative, should it be of the opinion that this would benefit the Contract.

(3) Upon receipt of a Change Request or on its own initiative, Contractor shall examine the implications of the requested Change on the technical specifications, Contract schedule and price of the Deliverables and Services and shall submit to the State without undue delay a written proposal for carrying out the Change. Contractor's proposal will include any associated changes in the technical specifications, Contract schedule and price and method of pricing of the Services. If the Change is to be performed on a time and materials basis, the Amendment Labor Rates shall apply to the provision of such Services. If Contractor provides a written proposal and should Contractor be of the opinion that a requested Change is not to be recommended, it shall communicate its opinion to the State but shall nevertheless carry out the Change as specified in the written proposal if the State directs it to do so.

(4) By giving Contractor written notice within a reasonable time, the State must be entitled to accept a Contractor proposal for Change, to reject it, or to reach another agreement with Contractor. Should the parties agree on carrying out a Change, a written Contract Change Notice must be prepared and issued under this Contract, describing the Change and its effects on the Services and any affected components of this Contract (a "Contract Change Notice").

(5) No proposed Change must be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the Department of Technology Management and Budget, Procurement.

(6) If the State requests or directs the Contractor to perform any activities that Contractor believes constitute a Change, the Contractor must notify the State that it believes the requested activities are a Change before beginning to work on the requested activities. If the Contractor fails to notify the State before beginning to work on the requested activities, then the Contractor waives any right to assert any claim for additional compensation or time for performing the requested activities. If the Contractor commences performing work outside the scope of this Contract and then ceases performing that work, the Contractor must, at the request of the State, retract any out-of-scope work that would adversely affect the Contract.

2.025 Notices

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

State:

State of Michigan
Procurement
Attention: Mark Lawrence, Buyer
PO Box 30026
530 West Allegan
Lansing, Michigan 48909

Contractor:

Emphasys Software, Attention: George Rodriguez,
9725 NW 117th Avenue Suite 120, Medley FL 33178

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 or must be deemed to be an employee, agent or servant of the State for any reason. Contractor will be solely and entirely responsible for its acts and the acts of its agents, employees, servants and Subcontractors during the performance of 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 will not unreasonably delay, condition or withhold the giving of any consent, decision or approval that is either requested or reasonably required of them in order for the other party to perform its responsibilities under the Contract.

2.029 Assignments

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 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.

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.

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 shall not be made without prior written State approval, and then only in accordance with the explicit written instructions from the State. No results of the activities associated with the RFP and Contract are to be released without prior written approval of the State and then only to persons designated.

2.032 Contract Distribution

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

2.033 Permits

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

2.034 Website Incorporation

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

2.035 Future Bidding Preclusion

Contractor acknowledges that, to the extent this Contract involves the creation, research, investigation or generation of a future 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 Contractor 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 this Contract is subject to the provisions of the Michigan Freedom of Information Act, 1976 Public Act No. 442, as amended, MCL 15.231, et seq (the "FOIA").

2.037 Disaster Recovery

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

2.040 Financial Provisions

2.041 Fixed Prices for Services/Deliverables

Each Statement of Work or Purchase Order issued under this Contract shall specify (or indicate by reference to the appropriate Contract Exhibit) the firm, fixed prices for all Services/Deliverables, and the associated payment milestones and payment amounts. The State may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by 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 this Contract is subsequently reduced by the State, the parties shall negotiate an equitable reduction in Contractor's charges under such Statement of Work commensurate with the reduction in scope.

2.043 Services/Deliverables Covered

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

2.044 Invoicing and Payment – In General

(a) Each Statement of Work issued under this Contract shall 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 will 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 will 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 1.600**.

(c) Correct invoices will be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 Public Act No. 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 Contract Administrator and the Contractor after the proposed Contract Agreement has been signed and accepted by both the Contractor and the Director of Procurement, Department of Technology Management & Budget. This activity will occur only upon the specific written direction from Procurement.

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

The Government 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.

2.045 Pro-ration

To the extent there are any Services that are to be paid for on a monthly basis, the cost of such Services shall 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 this Contract.

2.047 Final Payment

The making of final payment by the State to Contractor does not constitute a waiver by either party of any rights or other claims as to the other party's continuing obligations under 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 this Contract, including claims for Services and Deliverables not reasonably known until after acceptance to be defective or substandard. Contractor's acceptance of final payment by the State under this Contract shall constitute a waiver of all claims by Contractor against the State for payment under this Contract, other than those claims previously filed in writing on a timely basis and still unsettled.

2.048 Electronic Payment Requirement

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

2.050 Taxes

2.051 Employment Taxes

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

2.052 Sales and Use Taxes

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

2.060 Contract Management

2.061 Contractor Personnel Qualifications

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

2.062 Contractor Key Personnel

(a) The Contractor must provide the Contract Compliance Inspector with the names of the Key Personnel.

(b) Key Personnel must be dedicated as defined in the Statement of Work to the Project for its duration in the applicable Statement of Work with respect to other individuals designated as Key Personnel for that Statement of Work.

(c) The State will have the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor will notify the State of the proposed assignment, will introduce the individual to the appropriate State representatives, and will provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval. In the event the State finds a proposed individual unacceptable, the State will provide a written explanation including reasonable detail outlining the reasons for the rejection.

(d) Contractor must not remove any Key Personnel from their assigned roles or 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, and resignation or for cause termination of the Key Personnel's employment. Unauthorized Removals does not include replacing Key Personnel because of promotions or other job movements allowed by Contractor personnel policies or Collective Bargaining Agreement(s) as long as the State receives prior written notice before shadowing occurs and Contractor provides 30 days of shadowing unless parties agree to a different time period. The Contractor with the State must review any Key Personnel replacements, and appropriate transition planning will be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its termination and cancellation rights.

(e) The Contractor must notify the Contract Compliance Inspector and the Contract Administrator at least 10 business days before redeploying non-Key Personnel, who are dedicated to primarily to the Project, to other projects. If the State does not object to the redeployment by its scheduled date, the Contractor may then redeploy the non-Key Personnel.

2.063 Re-assignment of Personnel at the State's Request

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

2.064 Contractor Personnel Location

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

2.065 Contractor Identification

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

2.066 Cooperation with Third Parties

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

2.067 Contract Management Responsibilities

Contractor shall be responsible for all acts and omissions of its employees, as well as the acts and omissions of any other personnel furnished by Contractor to perform the Services. Contractor shall have overall responsibility for managing and successfully performing and completing the Services/Deliverables, subject to the overall direction and supervision of the State and with the participation and support of the State as specified in this Contract. Contractor's duties will include monitoring and reporting the State's performance of its participation and support responsibilities (as well as Contractor's own responsibilities) and providing timely notice to the State in Contractor's reasonable opinion if the State's failure to perform its responsibilities in accordance with the Project Plan is likely to delay the timely achievement of any Contract tasks.

The Contractor will provide the Services/Deliverables directly or through its affiliates, subsidiaries, subcontractors or resellers. Regardless of the entity providing the Service/Deliverable, the Contractor will act as a single point of contact coordinating these entities to meet the State's need for Services/Deliverables. Nothing in this Contract, however, shall be construed to authorize or require any party to violate any applicable law or regulation in its performance of this Contract.

2.068 Contractor Return of State Equipment/Resources

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

2.070 Subcontracting by Contractor

2.071 Contractor full Responsibility

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

2.072 State Consent to delegation

Contractor shall not delegate any duties under this Contract to a Subcontractor unless the Department of Technology Management and Budget, Procurement has given written consent to such delegation. The State shall have the right of prior written approval of all Subcontractors and to require Contractor to replace any Subcontractors found, in the reasonable judgment of the State, to be unacceptable. The State's request shall be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request shall be based on legitimate, good faith reasons. Replacement Subcontractor(s) for the removed Subcontractor shall be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed Subcontractor, the State will agree to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with a removed Subcontractor results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLA for the affected Work will not be counted 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 shall require the Subcontractor, to the extent of the Services to be performed by the Subcontractor, to be bound to Contractor by the terms of this Contract and to assume toward Contractor all of the obligations and responsibilities that Contractor, by this Contract, assumes toward the State. The State reserves the right to receive copies of and review all subcontracts, although Contractor may delete or mask any proprietary information, including pricing, contained in such contracts before providing them to the State. The management of any Subcontractor will be the responsibility of Contractor, and Contractor shall remain responsible for the performance of its Subcontractors to the same extent as if Contractor had not subcontracted such performance. Contractor shall make all payments to Subcontractors or suppliers of Contractor. Except as otherwise agreed in writing by the State and Contractor, the State will not be obligated to direct payments for the Services other than to Contractor. The State's written approval of any Subcontractor engaged by Contractor to perform any obligation under this Contract shall not relieve Contractor of any obligations or performance required under this Contract. A list of the Subcontractors, if any, approved by the State as of the execution of this Contract, together with a copy of the applicable subcontract is attached.

2.074 Flow Down

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

2.075 Competitive Selection

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

2.080 State Responsibilities

2.081 Equipment

The State will 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 agrees that it will 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 will also be expected to 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 will be expected to 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. It is expected the Contractor will present these documents to the prospective employee before the Contractor presents the individual to the State as a proposed resource. Contractor staff will be expected to 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

If the MSHDA has electronic commerce applications that allow electronic receipt of credit/debit card transactions, and electronic checks, the transaction request must be processed via the State of Michigan's Centralized Electronic Payment Authorization System (CEPAS) for approval or decline. CEPAS is the State of Michigan's electronic payment and authorization system for electronic receipting. CEPAS is administered by the Michigan Department of Treasury, Receipts Processing Division.

Contractors with access to credit/debit card cardholder data must adhere to the Payment Card Industry (PCI) Data Security requirements. Contractor agrees that they are responsible for security of cardholder data in their possession. Contractor agrees that data can ONLY be used for assisting the State in completing a transaction, supporting a loyalty program, supporting the State, providing fraud control services, or for other uses specifically required by law.

Contractor agrees to provide business continuity in the event of a major disruption, disaster or failure.

The Contractor will contact MSHDA immediately to advise them of any breaches in security where card data has been compromised. In the event of a security intrusion, the Contractor agrees the Payment Card Industry representative, or a Payment Card Industry approved third party, will be provided with full cooperation and access to conduct a thorough security review. The review will validate compliance with the Payment Card Industry Data Security Standard for protecting cardholder data.

Contractor agrees to properly dispose sensitive cardholder data when no longer needed. The Contractor will continue to treat cardholder data as confidential upon contract termination.

The Contractor will provide MSHDA documentation showing PCI Data Security certification has been achieved. The Contractor will advise MSHDA of all failures to comply with the PCI Data Security Requirements. Failures include, but are not limited to system scans and self-assessment questionnaires. The Contractor will provide a time line for corrective action.

2.100 Confidentiality

2.101 Confidentiality

Contractor and the State each acknowledge that the other possesses and will continue to possess confidential information that has been developed or received by it. As used in this Section, "Confidential Information" of Contractor must mean all non-public proprietary information of Contractor (other than Confidential Information of the State as defined below), which is marked confidential, restricted, proprietary, or with a similar designation. "Confidential Information" of the State must mean any information which is retained in confidence by the State (or otherwise required to be held in confidence by the State under applicable federal, state and local laws and regulations) or which, in the case of tangible materials provided to Contractor by the State under its performance under this Contract, is marked as confidential, proprietary or with a similar designation by the State. "Confidential Information" excludes any information (including this Contract) that is publicly available under the Michigan FOIA.

2.102 Protection and Destruction of Confidential Information

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

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

2.103 Exclusions

Notwithstanding the foregoing, the provisions in this Section 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 this Section will not apply to any particular Confidential Information to the extent the receiving party is required by law to disclose the Confidential Information, provided that the receiving party (i) promptly provides the furnishing party with notice of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of the disclosure as reasonably requested by the furnishing party.

2.104 No Implied Rights

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

2.105 Respective Obligations

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

2.110 Records and Inspections

2.111 Inspection of Work Performed

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

2.112 Examination of Records

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

2.113 Retention of Records

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

2.114 Audit Resolution

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

2.115 Errors

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.

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

2.120 Warranties

2.121 Warranties and Representations

The Contractor represents and warrants:

(a) It is capable in all respects of fulfilling and must fulfill all of its obligations under this Contract. The performance of all obligations under this Contract must be provided in a timely, professional, and workman-like manner and must meet the performance and operational standards required under this Contract.

(b) The Contract Appendices, Attachments and Exhibits identify the equipment and software and services necessary for the Deliverable(s) to perform and Services to operate in compliance with the Contract's requirements and other standards of performance.

(c) It is the lawful owner or licensee of any Deliverable licensed or sold to the State by Contractor or developed by Contractor under this Contract, and Contractor has all of the rights necessary to convey to the State the ownership rights or licensed use, as applicable, of any and all Deliverables. None of the Deliverables provided by Contractor to the State under neither this Contract, nor their use by the State will infringe the patent, copyright, trade secret, or other proprietary rights of any third party.

(d) If, under this Contract, Contractor procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to Contractor's other responsibilities with respect to the items in this Contract, Contractor must assign or otherwise transfer to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.

(e) The contract signatory has the power and authority, including any necessary corporate authorizations, necessary to enter into this Contract, on behalf of Contractor.

(f) It is qualified and registered to transact business in all locations where required.

(g) Neither the Contractor nor any Affiliates, nor any employee of either, has, must have, or must acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any manner or degree with Contractor's performance of its duties and responsibilities to the State under this Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. Contractor must notify the State about the nature of the conflict or appearance of impropriety within two days of learning about it.

(h) Neither Contractor nor any Affiliates, nor any employee of either has accepted or must accept anything of value based on an understanding that the actions of the Contractor or Affiliates or employee on behalf of the State would be influenced. Contractor must not attempt to influence any State employee by the direct or indirect offer of anything of value.

(i) Neither Contractor nor any Affiliates, nor any employee of either has paid or agreed to pay any person, other than bona fide employees and consultants working solely for Contractor or the Affiliate, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or making of this Contract.

(j) The prices proposed by Contractor were arrived at independently, without consultation, communication, or agreement with any other bidder for the purpose of restricting competition; the prices quoted were not knowingly disclosed by Contractor to any other bidder; and no attempt was made by Contractor to induce any other person to submit or not submit a proposal for the purpose of restricting competition.

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

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

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

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

2.122 Warranty of Merchantability

Goods provided by Contractor under this agreement shall be merchantable. All goods provided under this Contract shall be of good quality within the description given by the State, shall be fit for their ordinary purpose, shall be adequately contained and packaged within the description given by the State, shall conform to the agreed upon specifications, and shall 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 shall, in providing goods to the State, convey good title in those goods, whose transfer is right and lawful. All goods provided by Contractor shall be delivered free from any security interest, lien, or encumbrance of which the State, at the time of contracting, has no knowledge. Goods provided by Contractor, under this Contract, shall be delivered free of any rightful claim of any third person by of infringement or the like.

2.125 Equipment Warranty

To the extent Contractor is responsible under this Contract for maintaining equipment/system(s), Contractor represents and warrants that it will maintain the equipment/system(s) in good operating condition and will undertake all repairs and preventive maintenance according to the applicable manufacturer's recommendations for the period specified in this Contract.

The Contractor represents and warrants that the equipment/system(s) are in good operating condition and operates and performs to the requirements and other standards of performance contained in this Contract, when installed, at the time of Final Acceptance by the State, and for a period of (1) one year commencing upon the first day following Final Acceptance.

Per service levels defined in Article 1 Section 1.104b, the Contractor must adjust, repair or replace all equipment that is defective or not performing in compliance with the Contract. The Contractor must assume all costs for replacing parts or units and their installation including transportation and delivery fees, if any.

The Contractor must provide a toll-free telephone number to allow the State to report equipment failures and problems to be remedied by the Contractor.

The Contractor agrees that all warranty service it provides under this Contract must be performed by Original Equipment Manufacturer (OEM) trained, certified and authorized technicians.

The Contractor is the sole point of contact for warranty service. The Contractor warrants that it will pass through to the State any warranties obtained or available from the original equipment manufacturer, including any replacement, upgraded, or additional equipment warranties.

2.126 Equipment to be New

If applicable, all equipment provided under this Contract by Contractor shall 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, shall be 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 shall remain consistent for the term of the Contract, unless Procurement 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 this Contract.

2.130 Insurance

2.131 Liability Insurance

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

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

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

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

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

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

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

☑ 1. Commercial General Liability with the following minimum coverage:

$2,000,000 General Aggregate Limit other than Products/Completed Operations
$2,000,000 Products/Completed Operations Aggregate Limit
$1,000,000 Personal & Advertising Injury Limit
$1,000,000 Each Occurrence Limit

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

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

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

☑ 3. Workers' compensation coverage must be provided according to applicable laws governing the employees and employers work activities in the state of the Contractor's domicile. If a self-insurer provides the applicable coverage, 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

2.132 Subcontractor Insurance Coverage

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

2.133 Certificates of Insurance and Other Requirements

Contractor must furnish to DTMB Procurement, 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 Number or the Purchase Order Number 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 coverage afforded under the policies WILL NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED without 30 days prior written notice, except for 10 days for non-payment of premium, having been given to the Director of Procurement, Department of Technology Management and Budget. The notice must include the Contract or Purchase Order number affected. Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, the Contractor must provide evidence that the State and its agents, officers and employees are listed as additional insured under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

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

2.140 Indemnification

2.141 General Indemnification

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

2.142 Code Indemnification

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

2.143 Employee Indemnification

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

2.144 Patent/Copyright Infringement Indemnification

To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State to the extent that the action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Contractor or its subcontractors, or the operation of the equipment, software, commodity or service, or the use or reproduction of any documentation provided with the equipment, software, commodity or service infringes any United States patent, copyright, trademark or trade secret of any person or entity, which is enforceable under the laws of the United States.

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

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

2.145 Continuation of Indemnification Obligations

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

2.146 Indemnification Procedures

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

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

(b) If Contractor delivers a Notice of Election relating to any claim: (i) the State is entitled to participate in the defense of the claim and to employ counsel at its own expense to assist in the handling of the claim and to monitor and advise the State about the status and progress of the defense; (ii) the Contractor must, at the request of the State, demonstrate to the reasonable satisfaction of the State, the Contractor's financial ability to carry out its defense and indemnity obligations under this Contract; (iii) the Contractor must periodically advise the State about the status and progress of the defense and must obtain the prior written approval of the State before entering into any settlement of the claim or ceasing to defend against the claim and (iv) to the extent that any principles of Michigan governmental or public law may be involved or challenged, the State has the right, at its own expense, to control the defense of that portion of the claim involving the principles of Michigan governmental or public law. But the State may retain control of the defense and settlement of a claim by notifying the Contractor in writing within 10 days after the State's receipt of Contractor's information requested by the State under clause (ii) of this paragraph if the State determines that the Contractor has failed to demonstrate to the reasonable satisfaction of the State the Contractor's financial ability to carry out its defense and indemnity obligations under this Section. Any litigation activity on behalf of the State, or any of its subdivisions under this Section, must be coordinated with the Department of Attorney General. In the event the insurer's attorney represents the State under this Section, the insurer's attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

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

2.150 Termination/Cancellation

2.151 Notice and Right to Cure

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

2.152 Termination for Cause

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

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

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

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

2.153 Termination for Convenience

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

2.154 Termination for Non-Appropriation

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

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

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

2.155 Termination for Criminal Conviction

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

2.156 Termination for Approvals Rescinded

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

2.157 Rights and Obligations upon Termination

(a) If the State terminates this Contract for any reason, the Contractor must (1) stop all work as specified in the notice of termination, (2) take any action that may be necessary, or that the State may direct, for preservation and protection of Deliverables or other property derived or resulting from this Contract that may be in Contractor's possession, (3) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (4) 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 (5) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or termination settlement costs, to the maximum practical extent, including terminating or limiting as otherwise applicable those subcontracts and outstanding orders for material and supplies resulting from the terminated Contract.

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

2.158 Reservation of Rights

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

2.160 Termination by Contractor

2.161 Termination by Contractor

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

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

2.170 Transition Responsibilities

2.171 Contractor Transition Responsibilities

If the State terminates this contract, for convenience or cause, or if the Contract is otherwise dissolved, voided, rescinded, nullified, expires or rendered unenforceable, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. If this Contract expires or terminates, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed 60 days. These efforts must include, but are not limited to, those listed in **Sections 2.150.**

2.172 Contractor Personnel Transition

The Contractor must work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be accomplished by the parties, to effect an orderly transition. The Contractor must allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the services required by this Contract. In addition, during or following the transition period, in the event the State requires the Services of the Contractor's subcontractors or contractors, 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 contractors. Contractor will notify all of Contractor's subcontractors of procedures to be followed during transition.

2.173 Contractor Information Transition

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

2.174 Contractor Software Transition

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

2.175 Transition Payments

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

2.176 State Transition Responsibilities

In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to reconcile all accounts between the State and the Contractor, complete any pending post-project reviews and perform any others obligations 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 2.150**. 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 2.182**.

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 will 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 2.153**, 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**.**

2.190 Dispute Resolution

2.191 In General

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

2.192 Informal Dispute Resolution

(a) All disputes between the parties must be resolved under the Contract Management procedures in this Contract. If the parties are unable to resolve any disputes after compliance with the processes, the parties must meet with the Director of Procurement, DTMB, or designee, for the purpose of attempting to resolve the dispute without the need for formal legal proceedings, as follows:

(1) 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.

(2) During the course of negotiations, all reasonable requests made by one party to another for non-privileged information reasonably related to the Contract will be honored in order that each of the parties may be fully advised of the other's position.

(3) 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.

(4) Following the completion of this process within 60 calendar days, the Director of Procurement, DTMB, or designee, must issue a written opinion regarding the issue(s) in dispute within 30 calendar days. The opinion regarding the dispute must be considered the State's final action and the exhaustion of administrative remedies.

(b) This Section will not be construed to prevent either party from instituting, and a party is authorized to institute, formal proceedings earlier to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or under Section 2.193. 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, and marital status, physical or mental disability. Contractor further agrees that every subcontract entered into for the performance of this Contract or any purchase order resulting from this Contract will contain a provision requiring non-discrimination in employment, as specified here, binding upon each Subcontractor. This covenant is required under the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, et seq., and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, et seq., and any breach of this provision may be regarded as a material breach of the Contract.

2.202 Unfair Labor Practices

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

2.203 Workplace Safety and Discriminatory Harassment

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

2.210 Governing Law

2.211 Governing Law

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

2.212 Compliance with Laws

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

2.213 Jurisdiction

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

2.220 Limitation of Liability

2.221 Limitation of Liability

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

The Contractor's liability for damages to the State is limited to $1,250,000.00.. The foregoing limitation of liability does not apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of this Contract calling for liquidated damages; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

The State's liability for damages to the Contractor is limited to the value of the Contract.

2.230 Disclosure Responsibilities

2.231 Disclosure of Litigation

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 that 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.

If any Proceeding disclosed to the State under this Section, or of which the State otherwise becomes aware, during the term of this Contract would cause a reasonable party to be concerned about:

(a) the ability of Contractor (or a Subcontractor) to continue to perform this Contract according to its terms and conditions, or

(b) whether Contractor (or a Subcontractor) in performing Services for the State is engaged in conduct which is similar in nature to conduct alleged in the Proceeding, which conduct would constitute a breach of this Contract or a violation of Michigan law, regulations or public policy, then the Contractor must provide the State all reasonable assurances requested by the State to demonstrate that:

(1) Contractor and its Subcontractors will be able to continue to perform this Contract and any Statements of Work according to its terms and conditions, and

(2) 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 Procurement.

(2) Contractor must also notify DTMB Procurement 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 Purchase Operations within 30 days whenever changes to company affiliations occur.

2.232 Call Center Disclosure

Contractor and/or all subcontractors involved in the performance of this Contract providing call or contact center services to the State must disclose the location of its call or contact center services to inbound callers. Failure to disclose this information is a material breach of this Contract.

2.233 Bankruptcy

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

(a) the Contractor files for protection under the bankruptcy laws;

(b) an involuntary petition is filed against the Contractor and not removed within 30 days;

(c the Contractor becomes insolvent or if a receiver is appointed due to the Contractor's insolvency;

(d) the Contractor makes a general assignment for the benefit of creditors; or

(e) the Contractor or its affiliates are unable to provide reasonable assurances that the Contractor or its affiliates can deliver the services under this Contract.

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

2.240 Performance

2.241 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,** 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.

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 Agreement (SLA)

(a) SLAs will be completed with the following operational considerations:

(1) SLAs will not be calculated for individual Incidents where any event of Excusable Failure has been determined; Incident means any interruption in Services.

(2) SLAs will not be calculated for individual Incidents where loss of service is planned and where the State has received prior notification or coordination.

(3) SLAs will not apply if the applicable Incident could have been prevented through planning proposed by Contractor and not implemented at the request of the State. To invoke this consideration, complete documentation relevant to the denied planning proposal must be presented to substantiate the proposal.

(4) Time period measurements will be based on the time Incidents are received by the Contractor and the time that the State receives notification of resolution based on 24x7x365 time period, except that the time period measurement will be suspended based on the following:

(i) Time period(s) will not apply where Contractor does not have access to a physical State Location and where access to the State Location is necessary for problem identification and resolution.

(ii) Time period(s) will not apply where Contractor needs to obtain timely and accurate information or appropriate feedback and is unable to obtain timely and accurate information or appropriate feedback from the State.

(b) Chronic Failure for any Service(s) will be defined as three unscheduled outage(s) or interruption(s) on any individual Service for the same reason or cause or if the same reason or cause was reasonably discoverable in the first instance over a rolling 30 day period. Chronic Failure will result in the State's option to terminate the effected individual Service(s) and procure them from a different contractor for the chronic location(s) with Contractor to pay the difference in charges for up to three additional months. The termination of the Service will not affect any tiered pricing levels.

© Root Cause Analysis will be performed on any Business Critical outage(s) or outage(s) on Services when requested by the Contract Administrator. Contractor will provide its analysis within two weeks of outage(s) and provide a recommendation for resolution.

(d) All decimals must be rounded to two decimal places with five and greater rounding up and four and less rounding down unless otherwise specified.

2.243 Liquidated Damages

The parties acknowledge that late or improper completion of the Work will cause loss and damage to the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result. Therefore, Contractor and the State agree that if there is late or improper completion of the Work and the State does not elect to exercise its rights under **Section 2.141**, the State is entitled to collect liquidated damages of $100.00 per day, up to $50,000.00, for each day Contractor fails to remedy the late or improper completion of the Work. Prior to collecting any liquidated damages under this contract, the State shall first provide the Contractor with written notice of its intent to do so and shall allow the contractor a period of no less than 30 days to remedy the perceived failure, and if such failure is cured no liquidated damages shall be due or collected.

Unauthorized Removal of any Key Personnel
It is acknowledged that an Unauthorized Removal will interfere with the timely and proper completion of the Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any Unauthorized Removal. Therefore, Contractor and the State agree that in the case of any Unauthorized Removal in respect of which the State does not elect to exercise its rights under **Section 2.141**, the State may assess liquidated damages against Contractor as specified below.

For the Unauthorized Removal of any Key Personnel designated in the applicable Statement of Work, the liquidated damages amount is $25,000.00 per individual if the Contractor identifies a replacement approved by the State under **Section 2.060** and assigns the replacement to the Project to shadow the Key Personnel who is leaving for a period of at least 30 days before the Key Personnel's removal.

If Contractor fails to assign a replacement to shadow the removed Key Personnel for at least 30 days, in addition to the $25,000.00 liquidated damages for an Unauthorized Removal, Contractor must pay the amount of $833.33 per day for each day of the 30 day shadow period that the replacement Key Personnel does not shadow the removed Key Personnel, up to $25,000.00 maximum per individual. The total liquidated damages that may be assessed per Unauthorized Removal and failure to provide 30 days of shadowing must not exceed $50,000.00 per individual.

2.244 Excusable Failure

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

A list 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") or a Custom Software Deliverable is attached, if applicable. All Deliverables shall be completed and delivered for State review and written approval and, where applicable, installed in accordance with the State-approved delivery schedule and any other applicable terms and conditions of this Contract.

Prior to delivering any Deliverable to the State, Contractor will first perform all required quality assurance activities, and, in the case of Custom Software Deliverables, System Testing to verify that the Deliverable is complete and in conformance with its specifications. Before delivering a Deliverable to the State, Contractor shall certify to the State that (1) it has performed such quality assurance activities, (2) it has performed any applicable testing, (3) it has corrected all material deficiencies discovered during such quality assurance activities and testing, (4) the Deliverable 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.

In discharging its obligations under this Section, Contractor shall be at all times (except where the parties agree otherwise in writing) in compliance with Level 3 of the Software Engineering Institute's Capability Maturity Model for Software ("CMM Level 3") or its equivalent.

2.252 Contractor System Testing

Contractor will be responsible for System Testing each Custom Software Deliverable in Contractor's development environment prior to turning over the Custom Software Deliverable to the State for User Acceptance Testing and approval. Contractor's System Testing shall include the following, at a minimum, plus any other testing required by CMM Level 3 or Contractor's system development methodology:

Contractor will be responsible for performing Unit Testing and incremental Integration Testing of the components of each Custom Software Deliverable.

Contractor's System Testing will also include Integration Testing of each Custom Software Deliverable to ensure proper inter-operation with all prior software Deliverables, interfaces and other components that are intended to inter-operate with such Custom Software Deliverable, and will include Regression Testing, volume and stress testing to ensure that the Custom Software Deliverables are able to meet the State's projected growth in the number and size of transactions to be processed by the Application and number of users, as such projections are set forth in the applicable Statement of Work.

Contractor's System Testing will also include Business Function Testing and Technical Testing of each Application in a simulated production environment. Business Function Testing will include testing of full work streams that flow through the Application as the Application will be incorporated within the State's computing environment. The State shall participate in and provide support for the Business Function Testing to the extent reasonably requested by Contractor. Within ten (10) days before the commencement of Business Function Testing pursuant to this Section, Contractor shall provide the State for State review and written approval Contractor's test plan for Business Function Testing.

Within five (5) Business Days following the completion of System Testing pursuant to this **Section**, Contractor shall provide to the State a testing matrix establishing that testing for each condition identified in the System Testing plans has been conducted and successfully concluded. To the extent that testing occurs on State premises, the State shall be entitled to observe or otherwise participate in testing under this Section as the State may elect.

2.253 Approval of Deliverables, In General

All Deliverables (Written Deliverables and Custom Software Deliverables) require formal written approval by the State, in accordance with the following procedures. Formal approval by the State requires that the Deliverable be confirmed in writing by the State to meet its specifications, which, in the case of Custom Software Deliverables, will include the successful completion of State User Acceptance Testing, to be led by the State with the support and assistance of Contractor. The parties acknowledge that the approval process set forth herein will be facilitated by ongoing consultation between the parties, visibility of interim and intermediate Deliverables and collaboration on key decisions.

The State's obligation to comply with any State Review Period is conditioned on the timely delivery of Deliverables being reviewed. If Contractor fails to provide a Deliverable to the State in a timely manner, the State will nevertheless use commercially reasonable efforts to complete its review or testing within the applicable State Review Period.

Before commencement of its review or testing of a Deliverable, the State may inspect the Deliverable to confirm that all components of the Deliverable (e.g., software, associated documentation, and other materials) have been delivered. If the State determines that the Deliverable is incomplete, the State may refuse delivery of the Deliverable without performing any further inspection or testing of the Deliverable. Otherwise, the review period will be deemed to have started on the day the State receives the Deliverable and the applicable certification by Contractor in accordance with this Section.

The State will approve in writing a Deliverable upon confirming that it conforms to and, in the case of a Custom Software Deliverable, performs in accordance with, its specifications without material deficiency. The State may, but shall not be required to, conditionally approve in writing a Deliverable 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 that remain outstanding at the time of State approval.

If, after three (3) opportunities (the original and two repeat efforts), Contractor is unable to correct all deficiencies preventing State approval of a Deliverable, the State may: (i) demand that Contractor cure the failure and give Contractor additional time to cure the failure at the sole expense of Contractor; or (ii) keep this Contract in force and do, either itself or through other parties, whatever Contractor has failed to do, in which event Contractor shall bear any excess expenditure incurred by the State in so doing beyond the contract price for such Deliverable and will pay the State an additional sum equal to ten percent (10%) of such excess expenditure to cover the State's general expenses without the need to furnish proof in substantiation of such general expenses; or (iii) terminate this Contract for default, either in whole or in part by notice to Contractor (and without the need to afford Contractor any further opportunity to cure). Notwithstanding the foregoing, the State shall not 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.

The State, at any time and in its own discretion, may halt the UAT or approval process if such process reveals deficiencies in or problems with a Deliverable in a sufficient quantity or of a sufficient severity as to make the continuation of such process unproductive or unworkable. In such case, the State may return the applicable Deliverable to Contractor for correction and re-delivery prior to resuming the review or UAT process and, in that event, Contractor will correct the deficiencies in such Deliverable in accordance with the Contract, as the case may be.

Approval in writing of a Deliverable by the State shall be provisional; that is, such approval shall not preclude the State from later identifying deficiencies in, and declining to accept, a subsequent Deliverable based on or which incorporates or inter-operates with an approved Deliverable, to the extent that the results of subsequent review or testing indicate the existence of deficiencies in the subsequent Deliverable, or if the Application of which the subsequent Deliverable is a component otherwise fails to be accepted pursuant to **Section 2.080**.

2.254 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 Written Deliverable (failing which the State Review Period, by default, shall be five (5) Business Days for Written Deliverables of one hundred (100) pages or less and ten (10) Business Days for Written Deliverables of more than one hundred (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 prior to 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 Written Deliverable is approved in the form delivered by Contractor or describing any deficiencies that must be corrected prior to approval of the Written Deliverable (or at the State's election, subsequent to approval of the Written Deliverable). If the State delivers to Contractor a notice of deficiencies, Contractor will correct the described deficiencies and within five (5) 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 will be made at no additional charge. Upon receipt of a corrected Written Deliverable from Contractor, the State will have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Written Deliverable to confirm that the identified deficiencies have been corrected.

2.255 Process for Approval of Custom Software Deliverables

The State will conduct UAT of each Custom Software Deliverable in accordance with the following procedures to determine whether it meets the criteria for State approval – i.e., whether it conforms to and performs in accordance with its specifications without material deficiencies.

Within thirty (30) days (or such other number of days as the parties may agree to in writing) prior to Contractor's delivery of any Custom Software Deliverable to the State for approval, Contractor shall provide to the State a set of proposed test plans, including test cases, scripts, data and expected outcomes, for the State's use (which the State may supplement in its own discretion) in conducting UAT of the Custom Software Deliverable. Contractor, upon request by the State, shall provide the State with reasonable assistance and support during the UAT process.

For the Custom Software Deliverables listed in an attachment, the State Review Period for conducting UAT will be as indicated in the attachment. For any other Custom Software Deliverables not listed in an attachment, the State Review Period shall be the number of days agreed in writing by the parties (failing which it shall be forty-five (45) days by default). The State Review Period for each Custom Software Deliverable will begin when Contractor has delivered the Custom Software Deliverable to the State accompanied by the certification required by this **Section** and the State's inspection of the Deliverable has confirmed that all components of it have been delivered.

The State's UAT will consist of executing test scripts from the proposed testing submitted by Contractor, but may also include any additional testing deemed appropriate by the State. If the State determines during the UAT that the Custom Software Deliverable contains any deficiencies, the State will notify Contractor of the deficiency by making an entry in an incident reporting system available to both Contractor and the State. Contractor will modify promptly the Custom Software Deliverable to correct the reported deficiencies, conduct appropriate System Testing (including, where applicable, Regression Testing) to confirm the proper correction of the deficiencies and re-deliver the corrected version to the State for re-testing in UAT. Contractor will coordinate the re-delivery of corrected versions of Custom Software Deliverables with the State so as not to disrupt the State's UAT process. The State will promptly re-test the corrected version of the Software Deliverable after receiving it from Contractor.

Within three (3) business days after the end of the State Review Period, the State will give Contractor a written notice indicating the State's approval or rejection of the Custom Software Deliverable according to the criteria and process set out in this **Section**.

2.256 Final Acceptance

"Final Acceptance" shall be considered to occur when the Custom Software Deliverable to be delivered has been approved by the State and has been operating in production without any material deficiency for fourteen (14) consecutive days. If the State elects to defer putting a Custom Software Deliverable into live production for its own reasons, not based on concerns about outstanding material deficiencies in the Deliverable, the State shall nevertheless grant Final Acceptance of the Project.

2.260 Ownership

2.261 Ownership of Work Product by State

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

2.262 Vesting of Rights

With the sole exception of any preexisting licensed works identified in the SOW, the Contractor assigns, and upon creation of each Deliverable automatically assigns, to the State, ownership of all United States and international copyrights, trademarks, patents, or other proprietary rights in each and every Deliverable, whether or not registered by the Contractor, insofar as any the Deliverable, by operation of law, may not be considered work made for hire by the Contractor for the State. From time to time upon the State's request, the Contractor must confirm the assignment by execution and delivery of the assignments, confirmations of assignment, or other written instruments as the State may request. The State may obtain and hold in its own name all copyright, trademark, and patent registrations and other evidence of rights that may be available for Deliverables.

2.263 Rights in Data

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

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

2.264 Ownership of Materials

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

2.272 Acceptable Use Policy

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

2.273 Systems Changes

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

2.280 Extended Purchasing

2.281 MiDEAL (Michigan Delivery Extended Agreements Locally

Public Act 431 of 1984 permits DTMB to provide purchasing services to any city, village, county, township, school district, intermediate school district, non-profit hospital, institution of higher education, community, or junior college. A current listing of approved program members is available at: www.michigan.gov/buymichiganfirst. Unless otherwise stated, the Contractor must ensure that the non-state agency is an authorized purchaser before extending the Contract pricing.

The Contractor will supply Contract Services and equipment to these local governmental agencies at the established State of Michigan contract prices and terms to the extent applicable and where available. The Contractor must send its invoices will be submitted to and pay the local unit of government on a direct and individual basis.

To the extent that authorized local units of government purchase quantities of Services and/or equipment under this Contract, the quantities of Services and/or equipment purchased will be included in determining the appropriate rate wherever tiered pricing based on quantity is provided.

2.290 Environmental Provision

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

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

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

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

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

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

Labeling: 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

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

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

2.300 Deliverables

2.301 Software

A list of the items of software the State is required to purchase for execution the Contract is attached. The list includes all software required to complete the Contract and make the Deliverables operable; if any additional software is required in order for the Deliverables to meet the requirements of this Contract, such software shall be provided to the State by Contractor at no additional charge (except where agreed upon and specified in a Statement of Work or Contract Change Notice). The attachment also identifies certain items of software to be provided by the State.

2.302 Hardware

A list of the items of hardware the State is required to purchase for execution the Contract is attached. The list includes all hardware required to complete the Contract and make the Deliverables operable; if any additional hardware is required in order for the Deliverables to meet the requirements of this Contract, such hardware shall be provided to the State by Contractor at no additional charge (except where agreed upon and specified in a Contract Change Notice). The attachment also identifies certain items of hardware to be provided by the State.

2.303 Equipment to be New

If applicable, all equipment provided under this Contract by Contractor shall 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.

2.304 Equipment to be New and 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, shall be 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 shall remain consistent for the term of the Contract, unless Procurement has approved a change order pursuant to **Section 2.024.**

2.310 Software Warranties

2.311 Performance Warranty

The Contractor represents and warrants that Deliverables, after Final Acceptance, will perform and operate in compliance with the requirements and other standards of performance contained in this Contract (including all descriptions, specifications and drawings made a part of the Contract) for a period of (90) ninety days. In the event of a breach of this warranty, Contractor will promptly correct the affected Deliverable(s) at no charge to the State.

2.312 No Surreptitious Code Warranty

The Contractor represents and warrants that no copy of licensed Software provided to the State contains or will contain any Self-Help Code or any Unauthorized Code as defined below. This warranty is referred to in this Contract as the "No Surreptitious Code Warranty."

As used in this Contract, "Self-Help Code" means any back door, time bomb, drop dead device, or other software routine designed to disable a computer program automatically with the passage of time or under the positive control of a person other than the licensee of the software. Self-Help Code does not include Software routines in a computer program, if any, designed to permit an owner of the computer program (or other person acting by authority of the owner) to obtain access to a licensee's computer system(s) (e.g. remote access via modem) for purposes of maintenance or technical support.

As used in this Contract, "Unauthorized Code" means any virus, Trojan horse, spyware, worm or other Software routines or components designed to permit unauthorized access to disable, erase, or otherwise harm software, equipment, or data; or to perform any other such actions. The term Unauthorized Code does not include Self-Help Code. Unauthorized Code does not include Software routines in a computer program, if any, designed to permit an owner of the computer program (or other person acting by authority of the owner) to obtain access to a licensee's computer system(s) (e.g. remote access via modem) for purposes of maintenance or technical support.

In addition, Contractor will use up-to-date commercial virus detection software to detect and remove any viruses from any software prior to delivering it to the State.

2.313 Calendar Warranty

The Contractor represents and warrants that all software for which the Contractor either sells or licenses to the State of Michigan and used by the State prior to, during or after the calendar year 2000, includes or shall include, at no added cost to the State, design and performance so the State shall not experience software abnormality and/or the generation of incorrect results from the software, due to date oriented processing, in the operation of the business of the State of Michigan.

The software design, to insure calendar year rollover compatibility, shall include, but is not limited to: data structures (databases, data files, etc.) that provide 4-digit date century; stored data that contain date century recognition, including, but not limited to, data stored in databases and hardware device internal system dates; calculations and program logic (e.g., sort algorithms, calendar generation, event recognition, and all processing actions that use or produce date values) that accommodates same century and multi-century formulas and date values; interfaces that supply data to and receive data from other systems or organizations that prevent non-compliant dates and data from entering any State system; user interfaces (i.e., screens, reports, etc.) that accurately show 4 digit years; and assurance that the year 2000 shall be correctly treated as a leap year within all calculation and calendar logic.

2.314 Third-party Software Warranty

The Contractor represents and warrants that it will disclose the use or incorporation of any third-party software into the Deliverables. At the time of Delivery, the Contractor shall provide in writing the name and use of any Third-party Software, including information regarding the Contractor's authorization to include and utilize such software. The notice shall include a copy of any ownership agreement or license that authorizes the Contractor to use the Third-party Software.

2.315 Physical Media Warranty

Contractor represents and warrants that each licensed copy of the Software provided by the Contractor is free from physical defects in the media that tangibly embodies the copy. This warranty does not apply to defects discovered more than (30) thirty days after that date of Final Acceptance of the Software by the State. This warranty does not apply to defects arising from acts of Excusable Failure. If the Contractor breaches this warranty, then the State shall be entitled to replacement of the non-compliant copy by Contractor, at Contractor's expense (including shipping and handling).

2.320 Software Licensing

2.321 Cross-License, Deliverables Only, License to Contractor

The State grants to the Contractor, the royalty-free, world-wide, non-exclusive right and license under any Deliverable now or in the future owned by the State, or with respect to which the State has a right to grant such rights or licenses, to the extent required by the Contractor to market the Deliverables and exercise its full rights in the Deliverables, including, without limitation, the right to make, use and sell products and services based on or incorporating such Deliverables.

2.322 Cross-License, Deliverables and Derivative Work, License to Contractor

The State grants to the Contractor, the royalty-free, world-wide, non-exclusive right and license under any Deliverable and/or Derivative Work now or in the future owned by the State, or with respect to which the State has a right to grant such rights or licenses, to the extent required by the Contractor to market the Deliverables and/or Derivative Work and exercise its full rights in the Deliverables and/or Derivative Work, including, without limitation, the right to make, use and sell products and services based on or incorporating such Deliverables and/or Derivative Work.

2.323 License Back to the State

Unless otherwise specifically agreed to by the State, before initiating the preparation of any Deliverable that is a Derivative of a preexisting work, the Contractor shall cause the State to have and obtain the irrevocable, nonexclusive, worldwide, royalty-free right and license to (1) use, execute, reproduce, display, perform, distribute internally or externally,sell copies of, and prepare Derivative Works based upon all preexisting works and Derivative Works thereof, and (2) authorize or sublicense others from time to time to do any or all of the foregoing.

2.324 License Retained by Contractor

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

The State may modify the Software and may combine such with other programs or materials to form a derivative work. The State will own and hold all copyright, trademarks, patent and other intellectual property rights in any derivative work, excluding any rights or interest in Software other than those granted in this Contract.

The State may copy each item of Software to multiple hard drives or networks unless otherwise agreed by the parties.

The State will make and maintain no more than one archival copy of each item of Software, and each copy will contain all legends and notices and will be subject to the same conditions and restrictions as the original. The State may also make copies of the Software in the course of routine backups of hard drive(s) for the purpose of recovery of hard drive contents.

In the event that the Contractor shall, for any reason, cease to conduct business, or cease to support the Software, the State shall have the right to convert these licenses into perpetual licenses, with rights of quiet enjoyment, but subject to payment obligations not to exceed the then current rates.

2.325 Pre-existing Materials for Custom Software Deliverables

Neither Contractor nor any of its Subcontractors shall incorporate any preexisting materials (including Standard Software) into Custom Software Deliverables or use any pre-existing materials to produce Custom Software Deliverables if such pre-existing materials will be needed by the State in order to use the Custom Software Deliverables unless (i) such pre-existing materials and their owners are identified to the State in writing and (ii) such pre-existing materials are either readily commercially available products for which Contractor or its Subcontractor, as the case may be, has obtained a license (in form and substance approved by the State) in the name of the State, or are materials that Contractor or its Subcontractor, as the case may be, has the right to license to the State and has licensed to the State on terms and conditions approved by the State prior to using such pre-existing materials to perform the Services.

2.330 Source Code Escrow

2.331 Definition

"Source Code Escrow Package" shall mean:

(a) A complete copy in machine-readable form of the source code and executable code of the Licensed Software, including any updates or new releases of the product;

(b) A complete copy of any existing design documentation and user documentation, including any updates or revisions; and/or

Complete instructions for compiling and linking every part of the source code into executable code for purposes of enabling verification of the completeness of the source code as provided below. Such instructions shall include precise identification of all compilers, library packages, and linkers used to generate executable code.

2.332 Delivery of Source Code into Escrow

Contractor shall deliver a Source Code Escrow Package to the Escrow Agent, pursuant to the Escrow Contract, which shall be entered into on commercially reasonable terms subject to the provisions of this Contract within (30) thirty days of the execution of this Contract.

2.333 Delivery of New Source Code into Escrow

If at anytime during the term of this Contract, the Contractor provides a maintenance release or upgrade version of the Licensed Software, Contractor shall within six (6) months deposit with the Escrow Agent, in accordance with the Escrow Contract, a Source Code Escrow Package for the maintenance release or upgrade version, and provide the State with notice of the delivery.

2.334 Verification

The State reserves the right at any time, but not more than once a year, either itself or through a third party contractor, upon thirty (30) days written notice, to seek verification of the Source Code Escrow Package.

2.335 Escrow Fees

The Contractor will pay all fees and expenses charged by the Escrow Agent.

2.336 Release Events

The Source Code Escrow Package may be released from escrow to the State, temporarily or permanently, upon the occurrence of one or more of the following:

(a) The Contractor becomes insolvent, makes a general assignment for the benefit of creditors, files a voluntary petition of bankruptcy, suffers or permits the appointment of a receiver for its business or assets, becomes subject to any proceeding under bankruptcy or insolvency law, whether domestic or foreign;

(b) The Contractor has wound up or liquidated its business voluntarily or otherwise and the State has reason to believe that such events will cause the Contractor to fail to meet its warranties and maintenance obligations in the foreseeable future;

The Contractor voluntarily or otherwise discontinues support of the provided products or fails to support the products in accordance with its maintenance obligations and warranties.

2.337 Release Event Procedures

If the State desires to obtain the Source Code Escrow Package from the Escrow Agent upon the occurrence of an Event in this **Section**, then:

(a) The State shall comply with all procedures in the Escrow Contract;

(b) The State shall maintain all materials and information comprising the Source Code Escrow Package in confidence in accordance with this Contract;

If the release is a temporary one, then the State shall promptly return all released materials to Contractor when the circumstances leading to the release are no longer in effect.

2.338 License

Upon release from the Escrow Agent pursuant to an event described in this **Section**, the Contractor automatically grants the State a non-exclusive, irrevocable license to use, reproduce, modify, maintain, support, update, have made, and create Derivative Works. Further, the State shall have the right to use the Source Code Escrow Package in order to maintain and support the Licensed Software so that it can be used by the State as set forth in this Contract.

2.339 Derivative Works

Any Derivative Works to the source code released from escrow that are made by or on behalf of the State shall be the sole property of the State. The State acknowledges that its ownership rights are limited solely to the Derivative Works and do not include any ownership rights in the underlying source code.

Exhibit A -Glossary

EA	Enterprise Architecture
FR	Foreclosure Application
HUD	Housing and Urban Development
IT	Information Technology
LOL	Lender on Line Application
LT	Loan Tracking Application
MSHDA	Michigan State Housing Development Authority
OES	Office of Enterprise Security
OS	Operating System
SF	Single Family Application
TC	Tax Credit
Days	Means calendar days unless otherwise specified.
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/Deliverables within the scope of the Contract, but not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration.
AOD	Application Oriented Design
Audit Period	See Section 2.110
BAFO	Best and Final Offer
Business Day	Whether capitalized or not, shall mean any day other than a Saturday, Sunday or State-recognized legal holiday (as identified in the Collective Bargaining Agreement for State employees) from 8:00am EST through 5:00pm EST unless otherwise stated.
Blanket Purchase Order	An alternate term for Contract as used in the States computer system.
Business Critical	Any function identified in any Statement of Work as Business Critical.
CEPAS	Centralized Electronic Payment Authorization System
Chronic Failure	Defined in any applicable Service ` Agreements.
DDI	Design, Development, and Implementation
Deliverable	Physical goods and/or commodities as required or identified by a Statement of Work
DTMB	Michigan Department of Technology Management and Budget
EA	State of Michigan Enterprise Architecture
EFT	Electronic Fund Transfer
EPA	Environmental Protection Agency
Environmentally preferable products	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 that contain recycled content, minimize waste, conserve energy or water, and reduce the amount of toxics either disposed of or consumed.
Excusable Failure	See Section 2.244.
FOIA	Freedom of Information Act
Hardest Hit Fund	http://www.michigan.gov/documents/mshda/Hardest-Hit_Fund_Proposal_317762_7.pdf
Hazardous material	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).
HFA	Housing Finance Agency

HUD	United States Department of Housing and Urban Development
Incident	Any interruption in Services.
ITB	A generic term used to describe an Invitation to Bid. The ITB serves as the document for transmitting the RFP to potential bidders
Key Personnel	Any Personnel designated in Article 1 as Key Personnel.
MSHDA	Michigan State Housing Development Authority
NCIC	National Crime Information Center
New Work	Any Services/Deliverables outside the scope of the Contract and not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration.
NIST	National Institute of Standards and Technology
NSP	Neighborhood Stabilization Program
Ozone-depleting substance	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, hydro chlorofluorocarbons
PCI	Payment Card Industry
PII	Personal Identifying Information
Post-Consumer Waste	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	Industrial by-products that would otherwise go to disposal and wastes generated after completion of a manufacturing process, but do not include internally generated scrap commonly returned to industrial or manufacturing processes.
QA	Quality Assurance
Recycling	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.
Deleted – Not Applicable	Section is not applicable or included in the RFP. This is used as a placeholder to maintain consistent numbering.
Reuse	Using a product or component of municipal solid waste in its original form more than once.
RFP	Request for Proposal designed to solicit proposals for services
SAB	State Administrative Board
SDLC	Software Development Life Cycle
Services	Any function performed for the benefit of the State.
SLA	Service Level Agreement
SME	Subject Matter Expert
SOM	State of Michigan
SOW	Statement of Work
Source reduction	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.
SPOC	Single Point of Contact
State Location	Any physical location where the State performs work. State Location may include state-owned, leased, or rented space.
Subcontractor	A company Contractor delegates performance of a portion of the Services to, but does not include independent contractors engaged by Contractor solely in a staff augmentation role.
SUITE PMM	State Unified Information Technology Environment Project Management Methodology

UAT	User Acceptance Testing
Unauthorized Removal	Contractor's removal of Key Personnel without the prior written consent of the State.
Waste prevention	Source reduction and reuse, but not recycling.
Waste reduction and Pollution prevention	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	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 this Contract.

Exhibit B – **Office of Enterprise Security Document**

STATE OF MICHIGAN

Department of Information Technology

OFFICE OF ENTERPRISE SECURITY

Security Standards

The Office of Enterprise Security mission is to ensure that the appropriate level of security is implemented and maintained in order to protect the integrity of the State of Michigan government computing resources and information. Through security awareness, education, incident response, and the enforcement of State policies and procedures, we instill and maintain the confidence and trust of State of Michigan staff and customers. As part of this project the OES office will be an integral part of the review committee and will take pro-active steps to ensure the solution is secure for the SOM and it's users.

The best practices would include:

- Microsoft's Guidelines for developing secure applications
- NIST 800 series guidelines located at http://csrc.nist.gov/publications/nistpubs/ especially 800-64, -53
- Michigan State Standards
- COBIT Audit Standards

Security Architecture

In order to protect SOM assets to the fullest extent possible, multi-layered and highly extensible security architecture has been designed. This architecture seeks to utilize the absolute "best of breed" security products, devices and tools, combined with careful planning and policy-making, across the entire State of Michigan enterprise. In addition to utilizing the best products and tools for each situation, an overall design/implementation strategy has been developed to further enhance the security of State of Michigan data and resources. By utilizing risk analysis, security policy creation, applications and data sources can be protected based upon sensitivity levels assigned to them. According to this methodology, each data source or application to be made available in the e-Government initiative is to be evaluated based upon its sensitivity, attractiveness to intruders, and dependencies. Based upon this evaluation, the data source can be given a security rating that corresponds to a predefined level of protection that must be provided for that class of information. These different "levels" of protection will be constructed with the information at stake in mind, they will be composed of different combinations of security devices, tools and configurations designed to guard the data source from theft or attack in the most up to date and effective manner possible at all times.

Contractor will be required upon Contract award to develop a security threat matrix that includes a complete security plan with disaster recovery, business continuity plan, change management, and identify all controls for Confidentiality, Integrity, and Availability.

Disaster Recovery

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

Contractor Hosted Option provide a detailed description of the following;

- ◊ A complete description of the proposed web-hosting center/data center, including geographic location(s) and all relevant environmental factors such as power, HVAC, floor space, proposed layout, user accessibility, network configuration and level of redundancy and security.
- ◊ A description of the Contractor's experience with hosting sites similar to that which is being acquired through this procurement.
- ◊ References of current customers with hosting requirements similar to those of the State.
- ◊ A description of the service offerings provided by the Contractor at the web hosting facility. This should include: the use of dedicated and/or shared servers, platforms supported, available software offerings, available storage space, information pertaining to monthly data transmission allowances (if applicable), reliability and performance boosting efforts (e.g., caching, mirroring, and load balancing), and the range of services available (including application management, system integration, benchmarking, high-availability configurations, and disaster recovery).
- ◊ Describe in detail the nature of the Contractor's underlying transport network (or networks) to be employed in enabling the solution. Such a description should include size of network, transport protocol employed, security scheme for the network, general network topology (including internet connectivity), etc.
- ◊ Description of support that is available for SSL security, database connections.
- ◊ Details about the hours of operation at the Contractor's outsourcing locations.
- ◊ Staffing numbers and expertise per location, strategy for new staff hiring, and staff retention programs.
- ◊ Contractors should discuss their approach for addressing security relative to network layer controls, platform controls and application controls. The discussion should also cover the Contractor's support for advanced security technologies such as managed firewalls, encryption, authentication, intrusion detection, site scanning, server hardening, and the performance of security audits/penetration tests. Contractors should also describe their documented policies and procedures for dealing with security issues on an on-going basis. A description of the advanced security options used at the facility such as managed firewalls, encryption, authentication, intrusion detection, and site scanning.
- ◊ Contractors should provide information regarding disaster recovery strategies, prototyping and pilot testing, performance monitoring and problem resolution, knowledge transfer to State employees and exit strategies.
- ◊ Contractors should provide information regarding their recommendation of a development and testing environment.
- ◊ Describe in detail how you will manage the source code.
- ◊ Describe in detail how your solution aligns with DTMB Standards.
- ◊ Contractor to provide load testing services to validate architecture, based on State requirements.
- ◊ Contractor to provide Specific test plan needs.
- ◊ Contractor to describe back up schedules for all system components.
- ◊ Contractor to describe how software updates will be handled for all components.

- ◊ Contractor to describe how system monitoring and maintenance will be handled.
- ◊ Contractor to describe how the change control process will be managed.
- ◊ Contractor to describe how they can provide an archived back-up of data for up to 7 years.

- Contractors proposing a subcontracted or partially subcontracted hosting option are asked to provide samples of SLAs used with current customers. Identifying information related to the customer may be blocked from the samples to ensure confidentiality.

** NOTE: The State wishes to issue a point of clarification relative to hosting services:

- ◊ *For the hosting contract (if the State chooses an external hosting option), the contractor must describe in detail if the State's eProcurement application will be hosted on the same system; servers, networks, etc., as other customers' data, in terms of security and data protection.*

<u>Technical Architecture Design Plan will include</u>:

- ◊ An overall detailed architectural diagram including detailed graphics displaying the listed hardware and its relative placement in the architecture. The Contractor should clearly mark the communication channels between hardware units, identifying things like encryption where appropriate.

- ◊ Any constraints or limitations with respect to the physical proximity of system components to one another or to user locations.
- ◊ A disaster recovery strategy document.
- ◊ An acceptable DR strategy must include:
  - ❑ The strategy to recover to a known good state & resume after a site-loss disaster.
  - ❑ The ability to recover on-line transactions since the last backup in a non-site-loss disaster
  - ❑ An annual demonstration of the ability to recover full functionality to another site
  - ❑ Off-site transport of system and database backups

- ◊ An availability strategy document including:
  - ❑ The strategy to maintain system availability in the event of the loss of one or more system components.

Prior to delivering any of the above-mentioned Statement of Work Physical Deliverables or Services to the State, Contractor will first perform all required quality assurance activities to verify that the Physical Deliverable or Service is complete and in conformance with its specifications listed in the applicable Statement of Work or Purchase Order and the Deliverable/Service has all Critical Security patches/updates applied and meets full PCI compliance,

Attachment A – Cost Table

Table 1: Summary of the Project Cost – First three years

No.	Project Cost(s)	Cost ($)	Comments
A.	**Business Requirements** Breakdown provided in Table 2		
B.	**Hardware** Breakdown provided in Table 3		
C.	**Software** (includes COTS and any third party software, that would be owned by the State)		
D.	**Design** (New Application or Customization of COTS) Give breakdown in Table 2		
E.	**Development** (New Application or Customization of COTS) Give breakdown in Table 2		
F.	**Implementation** (New Application or Customization of COTS Data conversion, data migration, interfaces/integration, testing) Give breakdown in Table 2	$85,270.00	
G.	**Training and Documentation** Give breakdown in Table 5		
H.	**Operation Services** Give breakdown in Table 6	$969534.72	
I.	**Maintenance and Support (help desk)** Give breakdown in Table 7	$238,816.00	
J.	**Knowledge Transfer/Transition** Give breakdown in Table 8		
K.	**Future Enhancements/Rate Card** Give breakdown in Table 9	$265,647.00	See Table 9 note # 2.
L.	**Warranty** Give breakdown in Table 10		
M.	**Other** Give breakdown in Table 11		
	Total Project Cost	**$1,559,267.00**	

Table 2: New Application or Customization of COTS - Business Requirements, Design, Development and Implementation Costs

No.	Category	Resources Required (Contractor to identify IT classification)	Total # of hours (Contractor to identify # of hours per resource)	Total cost ($) (Contractor must transfer category totals to Table 1)	Comments (Contractor must provide a narrative to explain how they arrived at the costs identified)
A.	**Business Requirements** *(facilitated sessions, validation and verification of requirements)*			**$**	
D.	**Design**			$	
E.	**Development**			$	
F.	**Implementation**			**Contractor must provide individual implementation costs by category below and then transfer the combined total to Table 1 - F**	
	Data Conversion			$	
	Data Migration			$	
	Project Management	1	40	$ 7,200.00	
	Deployment	2	100	$ 22,000.00	
	Special Software			$17,120.00	See Table 4,
	Hosting Installation	1		$ 3,750.00	
	Testing: (i.e. Unit, System, Integration, Performance (load and stress), Parallel Testing, User Acceptance Testing (UAT), and other)	2	120	$ 26,400.00	
	Interfaces/Integration				
	Name of Interface :LOL, TC, LT, SFMP, REO, Acuserver	2	40	$ 8,800.00	
	Name of Interface:			$	
	Name of Interface:			$	
	Name of Interface:			$	
	Combined Total Implementation Costs (data conversion, data migration, configuration, installation, testing and interfaces/integration)			$ 85,270.00	

Table 4: Breakdown of Software Licenses – including COTS and Third Party Software Costs

No.	Software license(s) cost	Product Name and Version	Cost ($)	Comments
C.	Commercial Off The Shelf (COTS)			
	Report writers			
	Requirement analysis tools			
	Design tools			
	Drawing tools			
	Development environment tools			
	Testing tools: (such as issues tracking, defect testing, load/stress testing, configuration management (List and provide cost separately for each item) 1. 2. 3.			
	Other system utilities (such as backup and disaster recovery, etc.) 1. 2.			
	Server software	Citrix: one-time	$11,120.00	The $6,000 Verisign cost is prepaid for the initial 3 year period
	Any other software (List): 1. Verisign 2.		$6,000.00	
	Total Cost of Software Licenses including COTS and Third Party Software		**$ 17,120.00**	

Table 6: Operation Services -

No.	Category	Cost ($)	Comments
H.	Hosting	$969,534.72	Total for three year commitment
	Disaster Recovery		

Table 6a: Hosting cost per month

No.	Hosting for the term January 1 – December 31	Per month cost ($)	Comments
.	2012	26,400.00	
	2013	26,928.00	

	2014	27,466.58	
	2015	28,015.91	
	2016	28,576.25	
	2017	29,147.75	
	2018	29,730.66	
	2019	30,325.33	

Table 7: Recurring Costs: Software and Hardware License and Maintenance and Support

No.	Cost Categories	Software Cost ($)	Hardware Cost ($)	Comments
I.	**Software and Hardware license cost**			
	First Year	$76,883.00		
	Second Year	$79,574.00		
	Third Year	$82,359.00		
	Fourth Year	$91,241.00		
	Fifth Year	$88,225.00		
	Sixth Year	$91,313.00		
	Seventh Year	$100,509.00		
	Eighth Year	$97,816.00		
	Total Software and Hardware License Recurring Costs	**$ 707,920.00**	**$**	
	Software and Hardware Maintenance and Support cost *(may include helpdesk)*			
	First Year			
	Second Year			
	Third Year			
	Fourth Year			
	Fifth Year			
	Total Software and Hardware Maintenance and Support Recurring Costs	**$**	**$**	
	Combined Total	**$**	**$**	

Table 7a: Software and Hardware license Cost

No.	Cost Categories	*Year 1-2012*	*Year 2-2013*	*Year 3-2014*	*Year 4-2015*	
	Software and Hardware license cost					
	Low Income Housing TC (Multifamily Compliance)	**$21,620**	**$22,377**	**$23,160**	**$23,970**	
	AOD Lender on Line	**$9,583**	**$9,918**	**$10,266**	**$10,625**	
	Loan Tracking Module	**$13,574**	**$14,049**	**$14,541**	**$15,050**	
	Single Family Mortgage Program	**$22,267**	**$23,046**	**$23,853**	**$24,688**	
	Foreclosure and REO	**$9,640**	**$9,977**	**$10,326**	**$10,688**	
	Acuserver	**$199**	**$206**	**$214**	**$221**	
	Verisign				**6,000**	
	Total Module Maintenance	$76,883	$79,574	$82,359	$91,241	
		Year 5-2016	*Year 6-2017*	*Year 7-2018*	*Year 8-2019*	
	Low Income Housing TC (Multifamily Compliance)	**$24,809**	**$25,678**	**$26,576**	**$27,507**	
	AOD Lender on Line	**$10,997**	**$11,382**	**$11,780**	**$12,192**	
	Loan Tracking Module	**$15,576**	**$16,121**	**$16,686**	**$17,270**	
	Single Family Mortgage Program	**$25,552**	**$26,446**	**$27,372**	**$28,330**	
	Foreclosure and REO	**$11,062**	**$11,449**	**$11,850**	**$12,264**	
	Acuserver	**$229**	**$237**	**$245**	**$254**	
	Verisign			**6,000**		
	Total Module Maintenance	$88,225	$91,313	$100,509	$97,816	

Table 9: Future Enhancements/Rate Card

No.	Staffing Category	Key Staff	Firm Fixed Hourly Rate for 3 years	Est. Hours (8 year total)	Extended Price
K.	Project Manager / Technical Lead		$180.00	150	$27,000.00
	Business Analyst		$240.00	220	$52,800.00
	Systems Analyst		$240.00	150	$36,000.00
	Programmer		$220.00	1,580	$347,600.00
	DB Administrator		$200.00	118	$23,600.00
	Q/A Manager		$175.00	90	$15,750.00
	Testers		$160.00	210	$33,600.00
	Technical writers		$125.00	90	$11,250.00
	System Architects		$220.00	140	$30,800.00
	Software Architects		$240.00	100	$24,000.00
	Web Developers		$220.00	300	$66,000.00
	Application trainers		$200.00	200	$40,000.00
	Future Enhancement/Rate Card Estimated Cost	N/A	N/A	3348	$ 708,400.00

Notes:

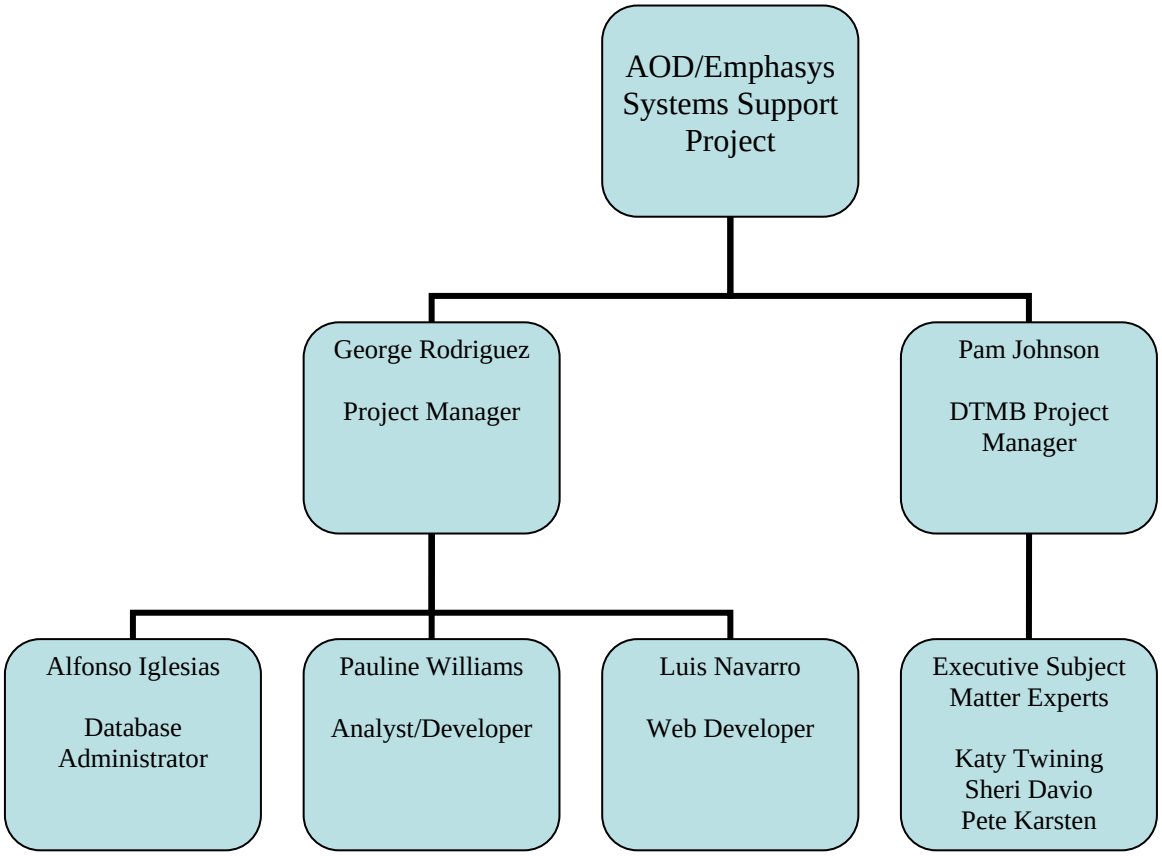
1. Hourly rates quoted are firm, fixed rates for the duration of the contract. Out-of-pocket expenses **will be** reimbursed as a separate line item. Fixed price quotes will include all costs. "Estimated Hours" and "Extended Price" are non-binding and will be used at the State's discretion to determine best value to the State. The State will utilize the hourly rates detailed above for each staff that will be used as fixed rates for responses to separate statements of work.

2. The State intends to establish funding for up to 3,348 hours at a cost of $708,400.00 over the eight year life of the application for development. The funding for the first three years will total $265,647.00 Actual funding for enhancements will occur on a yearly basis, and there is no guarantee as to the level of funding, if any, available to the project.

3. Unless otherwise agreed by the parties, each Statement of Work will include:
    a. Background
    b. Project Objective
    c. Scope of Work
    d. Deliverables
    e. Acceptance Criteria
    f. Project Control and Reports
    g. Specific Department Standards
    h. Payment Schedule
    i. Travel and Expenses
    j. Project Contacts
    k. Agency Responsibilities and Assumptions
    l. Location of Where the Work is to be Performed
    m. Expected Contractor Work Hours and Conditions

4. The parties agree that the Services/Deliverables to be rendered by Contractor using the future enhancements/rate card on this Contract will be defined and described in detail in separate Statements of Work. Contractor shall not be obliged or authorized to commence any work to implement a Statement of Work until authorized via a purchase order issued against this Contract.

Attachment B - Organizational Chart



Attachment C – Hosting Environment

Storage disk space used will be known following installation. Rick Kroeg provided a spreadsheet of the space used at the State data center, in September 2011.

PRODUCTION:

Server Type:	**Application Server**
Manufacturer:	Dell
Model:	PowerEdge R710
Year:	2010
Storage Disk Space:	Per client Requirement
Ram:	4GB
Processor:	2 Intel Hex Core @ 3.324GHz
OS:	Per Client requirement
Server monitoring software (example: CA Unicenter):	Dell OpenManage
Database and Version:	NA
All Software & Versions:	Product Versions: Loan Tracking V14.3.0 Single Family V17.2.0 Foreclosure V11.2.0 Tax Credit (Legacy) V7.5.2
Vulnerability Scans (frequency and types)	Quarterly, NESSUS, TrendMicro Antivirus scans; continuous Still Secure: continuous Protect Point network
Current Location:	Equinix, Cleveland, OH
Misc:	Processors and are covered by Dell's 24x7x365 Gold service and support

Server Type:	**SQL Database Server (2)**
Manufacturer:	Dell
Model:	PowerEdge R710
Year:	2010
Storage Disk Space:	500 GB
Ram:	8GB
Processor:	2 Intel Hex Core @ 3.324GHz
OS:	Per client requirement
Server monitoring software (example: CA Unicenter):	Dell OpenManage
Database and Version:	Per client requirement
All Software & Versions:	As defined by partners
Vulnerability Scans (frequency and types)	Quarterly, NESSUS, TrendMicro Antivirus scans; continuous Still Secure: continuous Protect Point network

Current Location:	Equinix, Cleveland, OH
Misc:	Processors and are covered by Dell's 24x7x365 Gold service and support

Server Type:	**Application Server Test**
Manufacturer:	Dell
Model:	PowerEdge R710
Year:	2010
Storage Disk Space:	Per Requirement
Ram:	4GB
Processor:	2 Intel Hex Core @ 3.324GHz
OS:	Per Client requirement
Server monitoring software (example: CA Unicenter):	Dell OpenManage
Database and Version:	NA
All Software & Versions:	Product Versions: Loan Tracking V14.3.0 Single Family V17.2.0 Foreclosure V11.2.0 Tax Credit (Legacy) V7.5.2
Vulnerability Scans (frequency and types)	Quarterly, NESSUS, TrendMicro Antivirus scans; continuous Still Secure: continuous Protect Point network
Current Location:	Equinix, Cleveland, OH
Misc:	Processors and are covered by Dell's 24x7x365 Gold service and support

Server Type:	**SQL Server Test**
Manufacturer:	Dell
Model:	PowerEdge R710
Year:	2010
Storage Disk Space:	500 GB
Ram:	8GB
Processor:	2 Intel Hex Core @ 3.324GHz
OS:	Per client requirement
Server monitoring software (example: CA Unicenter):	Dell OpenManage
Database and Version:	Per client requirement
All Software & Versions:	As defined by partners
Vulnerability Scans (frequency and types)	Quarterly, NESSUS, TrendMicro Antivirus scans; continuous Still Secure: continuous Protect Point network
Current Location:	Equinix, Cleveland, OH
Misc:	Processors and are covered by Dell's 24x7x365 Gold service and support

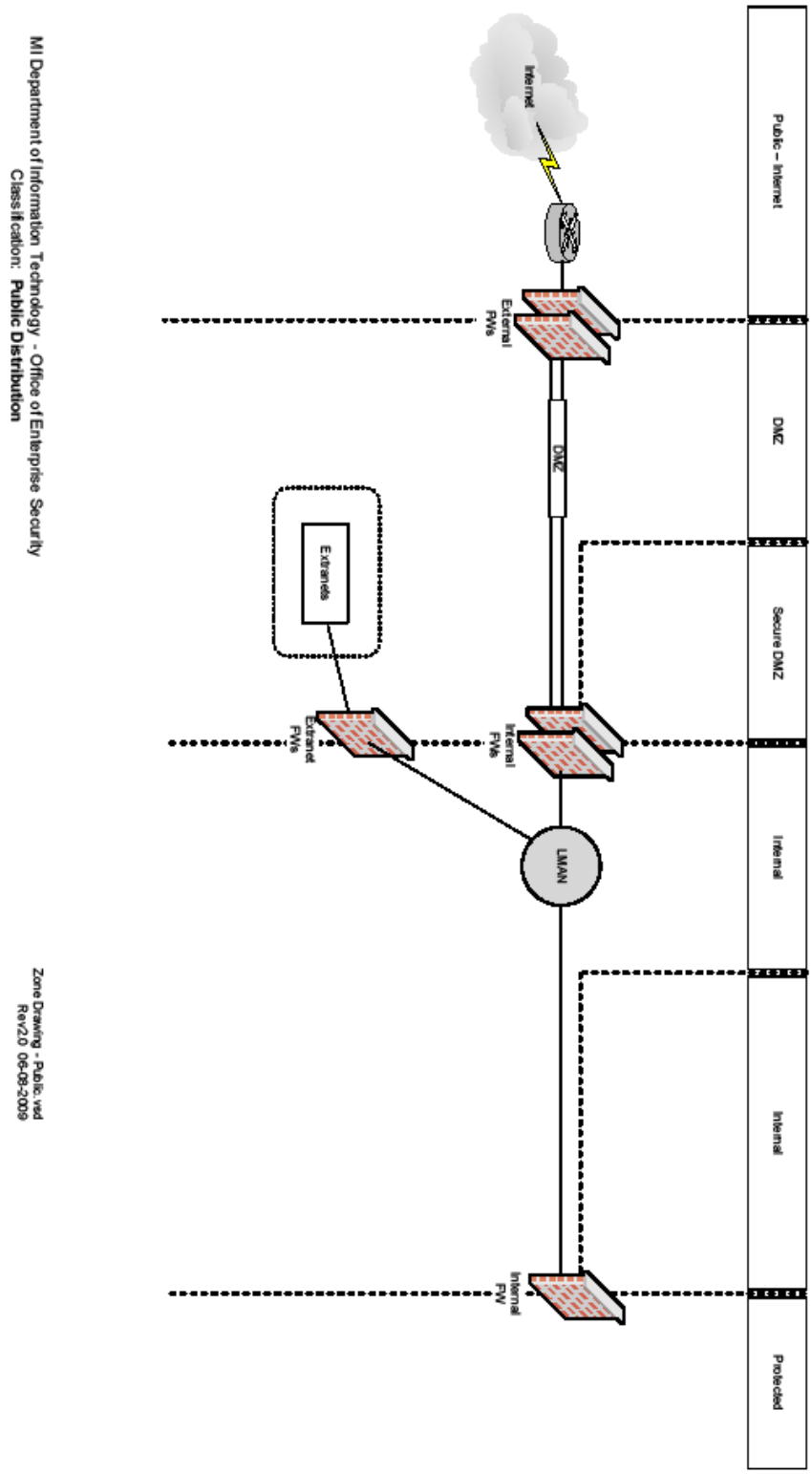
Server Type:	**Web Portal Server (2)**
Manufacturer:	Dell
Model:	PowerEdge R710
Year:	2010
Storage Disk Space:	Per Requirement
Ram:	2GB
Processor:	Intel Hex Core @ 3.324 GHz
OS:	Per Client requirement
Server monitoring software (example: CA Unicenter):	Dell OpenManage
Database and Version:	SQL Express
All Software & Versions:	Lender Online V5.8.0
Vulnerability Scans (frequency and types)	Quarterly, NESSUS, TrendMicro Antivirus scans; continuous Still Secure: continuous Protect Point network
Current Location:	Equinix, Cleveland, OH
Misc:	Servers are covered by Dell's 24x7x365 Gold service and support

Server Type:	**Citrix Xenapp (2) production**
Manufacturer:	Dell
Model:	PowerEdge R710
Year:	2010
Storage Disk Space:	Per Requirement
Ram:	4GB
Processor:	Intel Hex Core @ 3.00GHz
OS:	Per Client Requirement
Server monitoring software (example: CA Unicenter):	Dell OpenManage
Database and Version:	Per Client requirement
All Software & Versions:	As defined by partners
Vulnerability Scans (frequency and types)	Quarterly, NESSUS, TrendMicro Antivirus scans; continuous Still Secure: continuous Protect Point network
Current Location:	Equinix, Cleveland, OH
Misc:	Servers are covered by Dell's 24x7x365 Gold service and support

Server Type:	**Web Portal Server (test)**
Manufacturer:	Dell
Model:	PowerEdge R710
Year:	2010
Storage Disk Space:	Per Requirement
Ram:	2GB
Processor:	Intel Hex Core @ 3.324 GHz
OS:	Per Client requirement
Server monitoring software (example: CA Unicenter):	Dell OpenManage
Database and Version:	NA
All Software & Versions:	Lender on-line
Vulnerability Scans (frequency and types)	Quarterly, NESSUS, TrendMicro Antivirus scans; continuous Still Secure: continuous Protect Point network
Current Location:	Equinix, Cleveland, OH
Misc:	Servers are covered by Dell's 24x7x365 Gold service and support

Server Type:	**Citrix XenApp Server(2) for TEST – TRAIN**
Manufacturer:	Dell
Model:	PowerEdge R710
Year:	2010
Storage Disk Space:	Per Requirement
Ram:	4GB
Processor:	Intel Hex Core @ 3.00GHz
OS:	Per Client Requirement
Server monitoring software (example: CA Unicenter):	Dell OpenManage
Database and Version:	Per Client requirement
All Software & Versions:	As defined by partners
Vulnerability Scans (frequency and types)	Quarterly, NESSUS, TrendMicro Antivirus scans; continuous Still Secure: continuous Protect Point network
Current Location:	Equinix, Cleveland, OH
Misc:	Servers are covered by Dell's 24x7x365 Gold service and support

Attachment D Hardware and Network



MI Department of Information Technology - Office of Enterprise Security
Classification: **Public Distribution**

Zone Drawing - Public.vsd
Rev2.0 06-08-2009

nfrastructure

Attachment E – Security and Disaster Recovery Process

Disaster Plan required under this Contract supersedes any applicable Contract terms and this Attachment E." This will make clear that the disaster plan is the pertinent document.

Upon Contract award, Emphasys/CGI will work with MSHDA to mutually develop an acceptable disaster recovery plan. This will allow all parties to define the requirements for the disaster recovery for the network and critical servers, and to review and update, as necessary, the existing disaster recovery plan, and determine mutually the responsibilities for identifying, declaring, and executing recovery from an actual disaster. A security threat matrix will also be provided and all controls will be identified.

The disaster recovery plan will be completed after the system goes into production.

CGI/Emphasys Responsibilities:

a. CGI will provide MSHDA with processes that allow MSHDA to identify data that must be stored at off-site vault and to review storage and retention periods for managing MSHDA off-site data. CGI will manage daily shipments to and from the vault, and issue emergency recalls of tapes from the vault when required to complete restorations.

b. As necessary, CGI will maintain and update the documented system data recovery plan on an ongoing basis when configuration changes are made. When updates to the plan occur, CGI will perform a desk-check test of the documented system recovery plan to verify that all necessary recovery information exists and verifies that the strategy of the recovery plan supports daily operations.

c. As necessary, CGI will maintain and update the documented system data recovery plan to ensure recoverability of the operating environment. When updates to the plan occur, CGI will perform a review of the documented system recovery plan to verify that all necessary recovery information exists and to verify the strategy of the recovery plan supports daily operational requirements.

d. CGI will test the plan using the disaster site contractor at least once every year to make sure the plan is still operational. If there are changes that need to be made then CGI will work with the MSHDA to make the necessary changes to ensure that MSHDA can recover from a disaster.

MSHDA Responsibilities:

a. MSHDA will provide to CGI/Emphasys documented business requirements, definitions, and business parameters for the disaster recovery plan.

b. MSHDA will work with CGI/Emphasys to jointly develop a disaster-recovery plan for the network and critical servers.

c. MSHDA will review and approve the strategy of the recovery plan to ensure that it supports MSHDA operational and business process requirements.

d. MSHDA will review prioritized lists of applications and/or sites and will provide updates, if necessary, to recovery requirements.

e. MSHDA will review and approve any changes to the disaster recovery plan that will result in changes to the overall recovery scheme.

f. MSHDA will be responsible for all costs related to the execution of the disaster recovery plan in the event that MSHDA declares a disaster.

Disaster Recovery Services

Recovery Site

CGI will perform the following tasks:

a. Alert MSHDA as soon as possible when a situation arises that poses a very high degree of risk that a physical site disaster could occur.

b. Make sure hardware components are available to perform recovery testing as required to meet defined service levels associated with the disaster recovery testing services and recovery of critical business systems if a site disaster occurs.

c. ***Test the recovery plan at least once a year to make sure it still works, the first quarter of each calendar year.*** CGI will work with the MSHDA to make all necessary changes to the plan to enable MSHDA to recover in the shortest amount of time.

d. CGI will not include any additional support resources (personnel) for use at the shell site. To provide MSHDA with support resources in the event of a declaration of a disaster, CGI will suspend MSHDA support activities at the production site and deploy dedicated personnel to the recovery site to perform support activities remotely or locally, as required.

MSHDA will perform the following tasks:

a. Maintain responsibility for initiation of a declaration of disaster to CGI. An authorized MSHDA employee must notify CGI and confirm with the primary CGI contact that disaster recovery procedures should begin.

b. Maintain responsibility for connectivity to the selected warm site facility, if this is the approved plan.

c. MSHDA will be responsible for business process impact and all associated risks inherent in the decision not to contract a recovery facility.

Off-Site CD and Tape Storage

CGI will perform the following task:

a. When required, issue emergency recalls of CD/tapes from the vault to complete restorations.

Disaster Recovery Action Plan

CGI will perform the following tasks:

a. Maintain and update a documented system data recovery plan as necessary when configuration changes are made.

b. Perform a desk check test of the system recovery plan to verify the recovery information exists and the recovery plan supports daily operations.

MSHDA will perform the following tasks:

a. Work with CGI to determine mutually the requirements and develop the disaster recovery plan for the network and critical servers.

b. Work with CGI to determine mutually the responsibilities for identifying, declaring, and executing recovery from an actual disaster.

c. Provide to CGI documented business requirements, definitions, and business parameters for the disaster recovery plan.

d. Review and approve the recovery plan strategy to ensure that it supports MSHDA's operational and business process requirements.

e. Review prioritized lists of applications and/or sites and will provide updates, if necessary, to recovery requirements.

f. Review and approve any changes to the disaster recovery plan that will result in changes to the overall recovery scheme.

g. Keep in force and effect and be financially responsible for any disaster recovery agreements with third-party providers.

h. Maintain responsibility for all costs related to the execution of the disaster recovery plan and the ongoing support requirements if MSHDA declares a disaster.

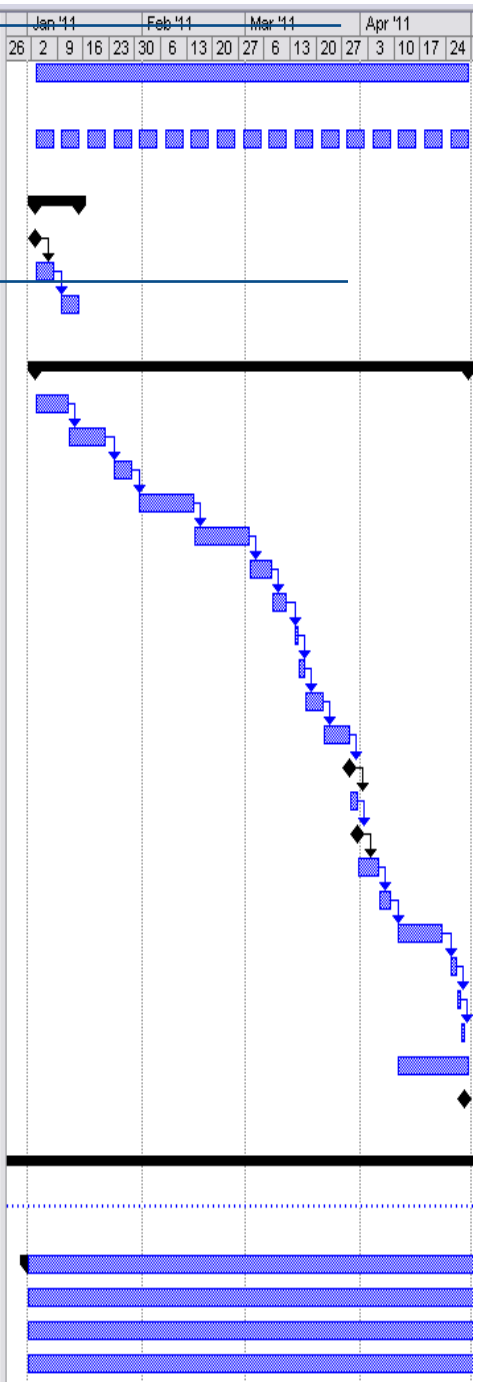
Recovery Testing

CGI will perform the following task:

- Provide the required personnel resources to perform disaster recovery testing no less frequency than once per year.

Attachment F - Requirement for Hosting

Reserved.

Attachment G – Project Plan

Task Name	Duration	Start	Finish
MSHDA-Single Family Products - System Support	**85 days**	**Mon 1/3/11**	**Fri 4/29/11**
+ Remote Project Management	**85 days**	**Mon 1/3/11**	**Fri 4/29/11**
- Project Setup and Initiation	**10 days**	**Mon 1/3/11**	**Fri 1/14/11**
Contract Award and Execution	0 days	Mon 1/3/11	Mon 1/3/11
Project Management Set-Up and Planning	1 wk	Mon 1/3/11	Fri 1/7/11
Project Kick-Off	1 wk	Mon 1/10/11	Fri 1/14/11
- Emphasys/MSHDA Hosting for Sinlge Family Systems	**85 days?**	**Mon 1/3/11**	**Fri 4/29/11**
Design network configuration for MSHDA Systems	7 days	Mon 1/3/11	Tue 1/11/11
Implement network configuration for MSHDA Systems	8 days	Wed 1/12/11	Fri 1/21/11
Establish additional power as needed at CGI hosting facilities	5 days	Mon 1/24/11	Fri 1/28/11
Procure additional servers as needed at CGI hosting Facilities	11 days	Mon 1/31/11	Mon 2/14/11
Procure additional storage as needed at CGI hosting Facilities	11 days	Tue 2/15/11	Tue 3/1/11
Verify and rack mount servers at CGI hosting facility	4 days?	Wed 3/2/11	Mon 3/7/11
Install operating systems on additional servers with all security updates, A	4 days?	Tue 3/8/11	Fri 3/11/11
Connect MSHDA servers to CGI SAN (Fabric Zoning, LUN assignment)	1 day?	Mon 3/14/11	Mon 3/14/11
Configure and allocate specified storage to MSHDA servers	2 days?	Tue 3/15/11	Wed 3/16/11
Begin data transfer of existing databases from DIT to CGI	3 days?	Thu 3/17/11	Mon 3/21/11
Begin software installation for TEST environment with vendor	5 days?	Tue 3/22/11	Mon 3/28/11
Restore production databases to SQL Test environments	0 days?	Mon 3/28/11	Mon 3/28/11
Design server hardening policies	2 days?	Tue 3/29/11	Wed 3/30/11
Implement server hardening policies	0 days?	Wed 3/30/11	Wed 3/30/11
Verify test environment functionality UAT after server hardening	4 days	Thu 3/31/11	Tue 4/5/11
Install applications into training, pre-live, and live environments	3 days	Wed 4/6/11	Fri 4/8/11
Establish performance baseline in LIVE environment	10 days	Mon 4/11/11	Fri 4/22/11
Configure Performance monitoring and alerting in LIVE environment	2 days	Mon 4/25/11	Tue 4/26/11
Configrure fail over site, replication, and high availability	1 day?	Wed 4/27/11	Wed 4/27/11
Verify system failover and recovery	1 day?	Thu 4/28/11	Thu 4/28/11
Hosting Environment(s) Roll Out	15 days	Mon 4/11/11	Fri 4/29/11
Acceptance Testing	1 day?	Fri 4/29/11	Fri 4/29/11
- Customizations and Interfaces - TBD	**1253 days?**	**Mon 3/16/09**	**Tue 12/31/13**
Custom Modification Discovery, Design, Coding, Testing and Deployment	140.4 wks?	Mon 3/16/09	Tue 12/31/13
- Post Transition Support - Annual - 3 Year	**783 days?**	**Sat 1/1/11**	**Tue 12/31/13**
Ongoing Hosting Support - Recurring	39.15 mons?	Sat 1/1/11	Tue 12/31/13
Ongoing Software Maintenance/ Support - Recurring	39.15 mons?	Sat 1/1/11	Tue 12/31/13
Remote DBA/System Engineer Services - Recurring	39.15 mons?	Sat 1/1/11	Tue 12/31/13