

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

April 30, 2010

CHANGE NOTICE NO. 1
TO
CONTRACT NO. 071B7200292
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR JPMorgan Chase Bank, N.A. 1 Chase Manhattan Plaza, Floor 17 New York, NY 10005 john.weeda@jpmchase.com		TELEPHONE (212) 552-4553 John Weeda
		VENDOR NUMBER/MAIL CODE
		BUYER/CA (517) 241-1916 Jim Wilson
Contract Compliance Inspector: Kevin Fedewa Alternative Investments Portfolio Services – Private Equity Reporting - Treasury		
CONTRACT PERIOD:		From: May 21, 2007 To: May 20, 2012
TERMS	N/A	SHIPMENT N/A
F.O.B.	N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A		

NATURE OF CHANGE(S):

The State hereby exercises two (2) one-year renewal option years. The new Contract end date is May 20, 2012. Funds in the amount of \$1,400,000.00 are hereby added to this Contract.

Additionally, a 5% annual discount without implementation of optional back office services is hereby incorporated into this Contract. A 7.5% annual discount will apply if the State elects to implement the optional back office services (7.5% discount will apply in the month the billable back office services commence. Prior to that, the 5% annual discount will apply).

Also, the following language changes are hereby incorporated into this Contract:

I. Amend section 1.601 (Compensation and Payment) due to some contractual deliverables still outstanding. If the following deliverables are not completed at the time of contract renewal (May 20, 2010), JPMorgan Chase Bank, N.A. agrees to the following price reductions:

A. General Data Collection Requirements, Data Collection, General Partner Questionnaires (Sections 1.104.I.b-c and 1.104.II.d-g)

1. Reduce monthly billing by 4% each month until such time questionnaires are completed per the contract.

B. Reporting, Financial Statements, Fees and Expenses from Financial Statements [Sections 1.104.VI.C.xx and 1.701 (Clarifications #1, item 10)]

1. Financial Statements: Reduce monthly billing by 4% each month if financial statements are not loaded to the database within the time frame allowed per the contract

2. Fees and Expenses from Financial Statements: Reduce monthly billing by 3% each month until fees and expenses are captured from the financial statements and entered into the database.

**CONTRACT #071B7200292
CHANGE NOTICE #1
PAGE TWO**

The attached Discrepancy Guidelines are hereby incorporated into this Contract (see attachments).

The attached Clarifications are hereby incorporated into this Contract (see attachments).

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

AUTHORITY/REASON:

Per agency request (PRF dated 3/3/2010), vendor approval (email dated 2/22/2010), Ad Board approval on 4/20/2010, and DTMB/Purchasing Operations' approval.

REVISED CURRENT AUTHORIZED SPEND LIMIT: \$3,472,640.00

Discrepancy Guidelines

The following information gives direction on how to move forward with discrepancies by type/origin.

I. Transactions

A. Classification Variances These transactions are confirmed to have come through the custodial account already but have different component classifications. Transactions that in aggregate equal the amount of the transaction (s) in the system can be changed per GP directive as long as there is an additional entry that balances to TA's book value (see Balancing to TA).

JPM's system has the ability to reverse out the original transaction and re-book based on SMRS' direction and include a brief comment in the transaction field to support the correcting entry to maintain appropriate audit trail.

i. Adjusting the Transaction

a. GP data provides breakdown component data where JPM's entry has none

1. Adjust entry to the detailed information if GP data provides more valuable information. Especially in the case of calculating outstanding commitment.
2. Enter in adjusting transaction as defined in part ii.

b. JPM data provides component data where GP data provides none:

1. JPM should keep their original entry.

[Examples: CMEA Ventures VI capital calls, GP reported only an aggregated call amount. JPM shows the transaction broken out. JPM data is the best data available.

Frontenac VIII capital call 7/2/02 JPM data breaks out mf, GP does not.

Frontenac VIII distribution 12/21/2004, 4/15/2005 both break out losses where GP does not.]

c. Both GP and JPM Data is Detailed with components but Data is different

- Note for decisions: SMRS reports on GAAP basis not tax basis.
- Next round of questionnaires should clearly state that the information needs to be reported on GAAP basis and for the GP to specify when it is different.

1. Amounts less than 2% of the transaction do not require any changes.

[Peninsula Capital Fund III 12/30/2008 gain & int by \$12.64]

2. Transactions after 6/30/07 will be reviewed by JPM.

- Should a previous transaction need to be reclassified, JPMorgan will request back up from the general partner before processing the correcting entry. JPMorgan would not typically need to involve AID unless the discrepancy cannot first be resolved with the GP.

[Example: CMEA Ventures VI distribution, GP reported amount all as gain. JPM shows the transaction broken out as gain and roc (8/31/2007). GP letter states treated as a long term capital gain for tax purposes on cover page then on schedule gives break out the JPM has in their data. This would have JPM's data overrule based on the GAAP criteria.]

3. Prior to 6/30/07, transactions will remain as is unless the difference from the GP provided data affects the outstanding commitment calculation.

- JPM to reconcile outstanding commitment based on GP information.

[Example: Frontenac VII stock distribution, GP reported higher return of capital and lower gain than JPM for dates 12/6/99 & 12/30/04 (unable to locate electronically) \$300K difference; 7/28/2005 & 11/18/2005 break out according to original GP document, unable to confirm where GP derived their cost & gain amount. This would be sent to SMRS for review.]

ii. Balancing to TA/Original Book Value

For any transactions that change return of capital or expense, an additional entry will be needed from JPM's system to balance to the original book value booked by TA on the transaction. For example if the original transaction was 1,000,000 roc on JPM system and a new entry of 400,000 roc & 600,000 gain replaces it, an adjusting entry in the book value adjustments would require -600,000 par & -600,000 gain.

B. Net Amount Variances

Essential to be handled through controlled process. Any changes require footnotes. NET transactions amounts can NOT be changed unless the net amount is confirmed to have flowed through the custodial account already (TA records), unless the net amount is zero dollars.

- i. GP shows a transaction where JPM has none.
 - a. Post 6/30/07, JPM to review transaction.
 1. Determine from TA's historical records whether the transaction can confirmed that it went through the custodian, if so the transaction should be added.
 2. If there is no record from TA on the transaction, ask the GP for back up documentation and proof the transaction occurred.
 - b. Prior to 6/30/07, forward the transaction to SMRS.
 1. GP & JPM transaction details should be sent in a single file listing all transactions in the portfolio from this category needing to be reviewed by SMRS. SMRS to report back on transaction.

[Example: Peninsula Capital Fund II 5/30/2002 shows interest distribution JPM does not.]

- ii. JPM data shows transaction where GP does not
 - a. Post 6/30/07, JPM to review transaction.
 1. Determine from TA's historical records whether the transaction can confirmed that it went through the custodian, if so, the transaction should be deleted.
 2. JPMorgan will provide information to the general partner to resolve. JPMorgan would not typically need to involve AID unless the discrepancy cannot first be resolved with the GP.
 - b. Prior to 6/30/07, forward the information to SMRS to review.
 - GP & JPM transaction details should be sent to SMRS in a single file listing all transactions in the portfolio from this category needing to be reviewed by SMRS. SMRS to report back on transactions.
 1. SMRS to check for adjusting entry for that transaction/fund, the transaction can be added and the adjusting entry reversed.
 2. SMRS to determine from TA's historical records whether the transaction can confirmed that it went through the custodian as stated by GP, if so the transaction should be added/adjusted.
 3. When no TA data is available, SMRS to contact fund for missing source document.

[Example Frontenac VII, first distribution of interest 3/30/98 was repeated 4/8/98 by SMRS but not GP.

- iii. Transaction is shown but the net amount is different
 - a. Warburg Fund Investments Stock Distributions do not require changes, but final stock price must be recorded in JPM data. (Warburg values stock distributions at 20 business day average following distribution. Transaction is booked at estimated value)
 - b. Post 6/30/07, JPM to review transaction.
 1. Determine from TA's historical records what amount went through the custodian.
 2. JPMorgan will provide or obtain information to or from the general partner to resolve.

3. JPMorgan would not typically need to involve AID unless the discrepancy cannot first be resolved with the GP.

[Example: Green Equity Investors V distribution 10/9/2007 and capital call 4/17/2009; Phoenix Equity Partners IV 10/20/2008 GP shows higher amount]

- c. Prior to 6/30/07, forward information to SMRS for review.
 - The GP & JPM transaction details should be forwarded to SMRS in a single file listing all transactions in the portfolio from this category needing to be reviewed by SMRS.
1. SMRS to check for adjusting entry for that transaction/fund, the transaction can be added and the adjusting entry reversed.
2. SMRS to determine from TA's historical records whether the transaction can be confirmed that it went through the custodian as stated by GP, if so the transaction should be added/adjusted.
3. When no TA data is available, SMRS to contact fund for source document.

[JAFCO America Technology Fund III 4/10/2003]

C. Date Variances (Difference amounts for the two dates net to a Zero difference)

- i. Notes on effects to Historical Pricing & IRR
 - a. Changes information that was used prior for pricing unless date differences fall within the same month.
 - b. Reports using Historical arv's are static using the historical SMRS numbers. Also, JPM is capturing the number every month as a static number beginning '07. These numbers, used in TWROR will not be affected.
 - c. There are sizable effects on IRR as the length of time grows regardless of size of cash flow.
 1. 10 week time change can affect irr by 1.5%, amount grows with length of time.
- ii. Decisions
 - a. Date differences 12 weeks or less: leave transaction date as is.
 - b. Date differences greater than 12 weeks: Review.
 1. Post 6/30/07 JPM will review transactions.
 - Cash transactions: TA custodian records would rule over GP data since decision should be based on when cash flow went through the bank account. Add footnote of GPs date to transaction.
 - Stock transactions: use source document records and footnote the other date.
 - Other cash transactions (transfers, note distributions, etc): use source document records and footnote the other date.
 2. Prior to 6/30/07 forward details to SMRS for review.
 - The GP & JPM transaction details should be sent in a single file listing all transactions in the portfolio from this category needing to be reviewed by SMRS. SMRS to report back on transactions.

[Example Flagship Ventures Fund 2004, 3/16/05 GP shows a portion of the contribution amount coming out 3 months later] Changing this could possibly change the net amount reconciled with the custodian. GP letter shows the amount recorded by JPM PEFS is correct.

II. Valuations

A. GP provided valuations not currently on JPM system

- i. Notes on effects to performance calculations
 - a. IRR
 1. Calculation is based on cash flows and the most recent Capital Balance provided by GP at the selected date.
 2. Check: To date all valuation amounts were uploaded solely from SMRS data. Were any uploaded from PA?

3. Historical IRR returns or point to point returns is possibly where the market value impact would be.
 4. Finalization pending methodology on 5 and 10 year IRRs.
- b. TWROR
1. Calculated based on the ARV.
 2. Not affected by accepting historical GP market values.
- ii. Decisions
- a. If 3/31/07 or after, JPM to request GP document and post.
 - b. If before 3/31/07:
 1. Accept and add amount reported by GP if it is an amount between 80% and 120% of preceding period.
 2. If amount is outside of range, JPM to send details to SMRS.
 - JPM to forward the GP valuation details in a single file listing all valuation additions in the portfolio from this category needing to be reviewed by SMRS.
 - SMRS to compare against previous quarters for same range above after backing out cash flows in the period from the last valuation to the period the GP is reporting. Add if in range.
 - If outside range SMRS to request obtain source document from GP.

[Example Harborvest IV Partnership 3/31/05, 9/30/05, 3/31/06 (JPM no data). Amounts sent by GP are within -4%, 17% and 2% of the preceding quarter. Add GP reported amounts]

B. Variances in Amounts

Note : SMRS has used GAAP capital balance in historical valuations when available. Historical records were usually noted when tax value was used.

- i. Amount differences that have a 1% variance or less do not change.

[Example : Energy III, most variances are a hundred or under. 4Q99 <1%, 4Q00 4%, 4Q01 8% ; Frontenac VII 3Q97 <1%. Others \$468 & under ; Green III, 3Q08 <1% ; Primus 2Q09 <1%]

- ii. Amounts considered material :
 - a. Post 6/30/07, JPM to review transaction.
 1. JPMorgan will provide or obtain information to or from the general partner to resolve. JPMorgan would not typically need to involve AID unless the discrepancy cannot first be resolved with the GP.
 2. Leave original entry in system and add second value provided by GP with notes in each valuation (ex draft, GAAP, tax).
 - b. Prior to 6/30/07, JPM to forward to SMRS for review.
 - JPM to send file with GP & JPM valuation details in a single file listing all valuation differences in the portfolio from this category needing to be reviewed by SMRS. SMRS to report back.
 1. SMRS to obtain and review source document.
 2. SMRS to instruct JPM as to any corrections or additional types of valuations. JPM to leave original entry in system and add second value provided by GP with notes in each valuation (ex draft, GAAP, tax).

Clarifications

JPMorgan proposed clarifications to Contract – draft as of February 22, 2010

Current description of task, original JPMorgan response

1.104I(b)(ii), 1.104I(c)(i) and 1.104II(d)

1.104I(b)(ii)

- ii The Contractor will have a process for getting a questionnaire completed by the general partner to populate all key fields for a new partnership. Describe process in proposal.

Original Contractor Response to Task:

Confirmed. Upon receipt of notice of closing (notice should include a copy of the limited partnership agreement, subscription agreement and other relevant documentation) of a new partnership from AID, JPMorgan will provide electronic notification to the general partner requesting they complete the applicable sections of the investment questionnaire (see **Exhibit 1**). The investment questionnaire will be made available as an “eForms” available for AID’s general partners.

“eForms” are used as the standard form of communication between PEFS and its institutional limited partner clients and general partners. “eForms” ensure that JPMorgan collects all the relevant information required to accurately book a deal or action. All “eForms” are web based and can be submitted by the client and general partners through the PEFS Online portal.

“eForms” also provide the option for clients and general partners to attach supporting documentation, creating an electronic file that can be archived and referenced for use for future audit reviews, etc.

In addition, “eForms” provide consistency in communication and minimize the opportunity for interpretation differences. “eForms” allow JPMorgan to gather information electronically while applying rules driven business process management (BPM), or workflow, to the data collection process. The XML data architecture makes “eForms” extensible to disparate data sources.

Upon submission of the investment question “eForms” by the general partner, the Account Analyst will receive electronic notification that the “eForms” has been submitted for subsequent review, validation and upload.

Mutually Agreed to Changes to Existing Response to Task:

Confirmed. Upon receipt of notice of closing (notice should include a copy of the limited partnership agreement, subscription agreement and other relevant documentation) of a new partnership from AID, JPMorgan will provide electronic notification to the general partner requesting they complete the applicable sections of the investment questionnaire in a format to be mutually agreed between AID and JPMorgan from time to time. The investment questionnaire will be sent to AID' general partners via electronic mail.

Upon receipt of the completed investment questionnaire by the general partner, the Account Analyst will review, validate and upload to JPMorgan system. JPMorgan will attempt to resolve any discrepancies between the information provided by AID versus the general partner by first working with the general partner otherwise will contact AID for assistance.

1.104I(c)(i)

- i. The Contractor will develop a process in which the general partners receive a report showing all the data for their fund and they are asked to validate the data. The Contractor will furnish a complete listing of data to the general partner to validate, not a blank questionnaire for the general partner to complete. This process needs to be done once per year. Any failure to complete this task will result in AID not paying any fees for any partnerships missing data until a report is sent and received by the general partner.

Describe the process in which each fund receives an overview of their information in the system, so they can validate or update (include the frequency of this process and provide a sample of what is sent to the general partner).

Original Contractor Response to Task:

Confirmed. JPMorgan will develop a process to similar to what is described in section 1.104.I.b.ii and provide each general partner with a secure, web based, process for reviewing, validate and/or updating necessary information. Each general partner will receive an electronic request to review their respective "eForms". The "eForms" will be pre-populated with the data required for review/validation/update. Upon completion of their review, the general partner will be required to select either "Validated" or "Update" in order to proceed. If "Update" is selected, the general partner will be required to submit changes via the same process as when they initially completed the investment questionnaire "eForms". All general partner submissions will be reviewed by the Account Analyst before they are loaded into our system. A complete audit trail is maintained for both validated and updated submissions.

Please refer to **Exhibit 1** for a sample of what is sent to the general partner.

Mutually Agreed to Changes to Existing Response to Task:

Confirmed. JPMorgan will develop a process to similar to what is described in section 1.104.I.b.ii and provide each general partner via electronic mail with an excel based template in a format to be agreed from time to time between AID and JPMorgan (Please refer to attached sample of what was previously provided to the AID's general partner during the initial process.

JPMorgan will resolve all outstanding commitments (see section 1.701, Clarifications #1, Item #1).

For discrepancies relating to periods prior to June 30, 2007 ("Historical Period"), JPMorgan will follow the Discrepancy Guidelines dated February 18, 2010 to process discrepancies (or as mutually agreed between both parties for changes to Discrepancy Guidelines). For discrepancies relating to periods after June 30, 2007, JPMorgan will be responsible for independently conducting reasonable analysis, research and resolution. Should AID wish to engage JPMorgan to conduct research and analysis relating to Historical Period discrepancies, JPMorgan may provide such research and analysis as is reasonably agreed between AID and JPMorgan, provided that JPMorgan shall be entitled to compensation at an hourly consulting rate of \$250 for performing such work .

Subsequent annual processes will have cash flow data from the immediately preceding calendar year, outstanding commitment to date and qualitative investment data.

Section 1.104I(c)(iv)

iv. "All information needs to be loaded into the system within three (3) business days upon receipt, but preferably daily. The only exception to this is quarterly financials, which will be loaded within five (5) business days"

Original Contractor Response to Task:

Confirmed. JPMorgan's practice is to enter information on the day it is received, but in no event later than the following business day after the information is received. JPMorgan currently loads quarterly financial information within five (5) days from receipt.

Mutually Agreed to Changes to Existing Response to Task:

Confirmed. JPMorgan's practice is to enter information on the day it is received, but in no event later than the following business day after the information is received, provided the information contains sufficient detail for processing by JPMorgan. Should additional information from the general partner, AID or other third party be required, JPMorgan will promptly process the information upon receipt of the additional information. JPMorgan currently loads quarterly financial information, including underlying portfolio company details, within five (5) to eight (8) business days from receipt of required information with the exception of the State of Michigan Retirement Systems (SMRS) capital balances that must be fully entered by the end of the month and quarter end.

1.701 Clarification #1, item 10

Current description of task and original JPMorgan response.

“10. Is the source for fees/expenses from financial statements or cash flows (section 1.2104 CI c.xx, page A.42)? If from cash flows, how are non-cash fees/expenses accounted?”

The source for fees/expenses is from the cash flow directives. Non-cash fees/expenses are obtained from the quarterly financial statements, where available. While JPMorgan can track the non-cash fees/expenses quarterly if the information is reported by GP in the financial statements, our experience has that many GPs we interact do not provide this data in their quarterly financial statements. JPMorgan would welcome to the opportunity to discuss with AID alternative approaches to capturing this non-cash fees/expenses, including leveraging the annual GP data validation process.

Mutually Agreed to Changes to Existing Response to Task:

The primary source for fees/expenses is from the cash flow directives. Non-cash fees/expenses will be obtained from the quarterly financial statements, where such information is readily available. JPMorgan will notify AID when such information is not available. Where non-cash fees/expenses are reported only at the fund level (and not the AID level), JPMorgan will apply Michigan AID ownership percentage to calculate AID specific. Non-cash fees/expenses will be records in JPMorgan system using custom transaction type that will not affect the calculation of any valuations or performance reporting but solely to facilitate reporting of these fees/expense data. JPMorgan will process non-cash fees/expenses information concurrent with the general quarterly financial statement information processing.

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

June 5, 2007

**NOTICE
 TO
 CONTRACT NO. 071B7200292
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF VENDOR JPMorgan Chase Bank, N.A. 1 Chase Manhattan Plaza, Floor 17 New York, NY 10005 johnweeda@jpmchase.com	TELEPHONE (212) 552-4553 John Weeda
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-1916 Jim Wilson
Contract Compliance Inspector: Kevin Fedewa Alternative Investments Portfolio Services – Private Equity Reporting - Treasury	
CONTRACT PERIOD: From: May 21, 2007 To: May 20, 2010	
TERMS <p style="text-align: center;">N/A</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	

The terms and conditions of this Contract are those of ITB No. 071I7200015, this Contract Agreement and the vendor's quote dated 11/8/2006. In the event of any conflicts between the specifications, terms and conditions indicated by the State and those indicated by the vendor, those of the State take precedence.

Estimated Contract Value: **\$2,072,640.00**

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

CONTRACT NO. 071B7200292
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR JPMorgan Chase Bank, N.A. 1 Chase Manhattan Plaza, Floor 17 New York, NY 10005 <div style="text-align: right;">johnweeda@jpmchase.com</div>	TELEPHONE (212) 552-4553 John Weeda VENDOR NUMBER/MAIL CODE BUYER/CA (517) 241-1916 Jim Wilson
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F.O.B. <div style="text-align: center;">N/A</div>	SHIPPED FROM <div style="text-align: center;">N/A</div>
MINIMUM DELIVERY REQUIREMENTS <div style="text-align: center;">N/A</div>	
MISCELLANEOUS INFORMATION: <p>The terms and conditions of this Contract are those of ITB No. 071I7200015, this Contract Agreement and the vendor's quote dated 11/8/2006. In the event of any conflicts between the specifications, terms and conditions indicated by the State and those indicated by the vendor, those of the State take precedence.</p> <p>Estimated Contract Value: \$2,072,640.00</p>	

FOR THE VENDOR: <div style="text-align: center;">JPMorgan Chase Bank, N.A.</div> <hr/> <div style="text-align: center;">Firm Name</div> <hr/> <div style="text-align: center;">Authorized Agent Signature</div> <hr/> <div style="text-align: center;">Authorized Agent (Print or Type)</div> <hr/> <div style="text-align: center;">Date</div>	FOR THE STATE: <hr/> <div style="text-align: center;">Signature</div> <div style="text-align: center;">Kristi L. B. Thompson, Director</div> <hr/> <div style="text-align: center;">Name/Title</div> <div style="text-align: center;">Services Division, Purchasing Operations</div> <hr/> <div style="text-align: center;">Title</div> <hr/> <div style="text-align: center;">Date</div>
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STATE OF MICHIGAN
Department of Management and Budget
Purchasing Operations

Contract No. 071B7200292
Alternative Investments Portfolio Services
Private Equity Reporting

Buyer Name: Jim Wilson
Telephone Number: 517-241-1916
E-Mail Address: wilsonj4@michigan.gov



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Article 1 – Statement of Work (SOW)

1.0 Project Identification

1.001 PROJECT REQUEST

The purpose of this contract is to provide alternative investments portfolio management services (data collection and reporting).

1.002 BACKGROUND

The State of Michigan Department of Treasury Bureau of Investments (BOI) administers pension systems with approximately \$53.3 billion U.S. dollars in assets at market value. As of February 28, 2006, the assets were invested as follows:

Domestic Equities	46.0%
Fixed Income Sec.	16.0%
International Equity	13.8%
Alternative Investments	11.7%
Real Estate	8.3%
Short Term	4.2%

The Alternative Investments Division (AID) is responsible for making and managing investments in the non-traditional asset classes of private equity and hedge funds (Alternative Investments) and stock distributions. The Alternative Investments Pool holds investments in the private equity market, primarily through limited partnerships.

Seven (7) investment professionals and three (3) support personnel staff AID. The investment program is accomplished by deploying a variety of equity and debt instruments through dedicated partnerships. AID is responsible for establishing and maintaining relationships with private sector investment professionals, evaluating and recommending private equity investment opportunities, and monitoring and reporting on the investments that comprise the Alternative Investments Portfolio ("Portfolio"). The Division's portfolio consists of approximately 270 partnerships. The partnerships are estimated to have over 3,500 investment companies under management.

1.1 Scope of Work and Deliverables

1.101 IN SCOPE

AID has a need for a web-based reporting tool, so its investment and accounting sections can, in an accurate and timely manner, monitor and report on the content and performance of this expanding Portfolio. The size of the Portfolio, combined with the need to understand in-depth content and performance data, makes the role of a Contractor (with the experience and the technical ability to monitor and report on a large and growing private equity portfolio) extremely important. The following work and deliverables are in-scope:

1. Data Collection: Convert existing system data from AID, collect ongoing cash flow/non-cash flow data and financial statement data, and input data into Contractor's system for reporting
2. Reporting: Provide a flexible web-based tool (preferred) to provide various standard and ad hoc investment, accounting and reconciliation reports. The reporting tool must be able to provide ad hoc reports on any data field
3. System Management/Maintenance: Provide application service provider (ASP) services to maintain and report collected data.

1.102 OUT OF SCOPE

Contractors must identify any products and services they consider outside the scope of this Contract.

Contractor Response to Task:

JPMorgan confirms that all work and deliverables identified in Article 1.101 above are 'in scope'.



1.103 ENVIRONMENT

A. Servers

1. Microsoft Windows 2000 network operating system
2. Disk array storage systems
3. Dual gigabit ethernet connection to switch
4. Microsoft SQL server database engine
5. Microsoft Exchange 2000 E-mail server
6. HP Jet Direct print servers for HP8100 and HP8500 network printers
7. Dell Power Vault 132T Tape Library system.

B. Network

1. 100% switched ethernet environment
2. Redundant Gigabit Ethernet backbone
3. 100 Megabit/1 Gigabit Ethernet to the workstation
4. Firewall with T1 connection to the Internet.

C. Workstations

1. Pentium III 800 Mhz – Pentium 4 2.3 Ghz workstations
2. 256 MB to 512 MB memory
3. Microsoft Windows 2000/XP operating system
4. 100 megabit/1 gigabit network connection
5. 17" to 22" high resolution monitors.

1.104 WORK AND DELIVERABLE

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

I. General Data Collection Requirements

- b. The Contractor must have a process to collect data.



Contractor Response to Task:

Electronic Data Collection Process: Please see our response in section 1.104.I.b.ii and section 1.104.I.c.i for a description of JPMorgan's process for collecting data from the general partner.

Specific to Real Estate, JPMorgan has also developed a workflow application within Investran DataExchange (IDX) to enable electronic data collection, data validation and enhanced client reporting portal for investors who may require property level reporting for their real estate portfolio.

Using this application, real estate general partners/investment managers and clients are provided access to a web based application with the following key features:

- Automated data transmission from real estate general partners/managers
- Information management collected in a normalized, intelligent environment
- Web-based client access for static reports
- Easy access to manager data submission – both present and past
- Easy to use filter and search capability for workflow and report management
- Manager scorecards: Easy access to identify which managers have submitted information

Available reporting features include:

- Key financial measures above the standard performance and accounting
- Tenant information: Name, NCREIF, Leased square footage, Lease commencement date
- Disposition information: Commissions, legal expense, escrow, etc.
- Debt information: Lender name, balance
- Operating cash activity: Rental revenue, operating expense, non-operating expense, debt service payments, etc.

The following screen shots show an example of both the work flow (data collection) application and the property detail reports available.



InvestranDX - Core - Key Measures & Operating Info - Microsoft Internet Explorer

Address: https://www.investrandx.com/DataCollection/Default.aspx?DN=28731%2c28710%2c28705%2c3627%2c1%2cDocuments&Period=10%2f1%2f2005&REFundID=55626&For...

Reports

- Actual Cash Flows
- Budgeted Cash Flows
- Debt Information
- Disposition Data
- General Information
- Tenant Information
- Valuation Information

General Property Information

Property Name * Chatsworth

Property Manager Trammell Crow

Property Type * Industrial

Property Sub-Type * Ind-Warehouse

Address 8907 Canoga Ave

Continent * North America

NCREIF Region * WEST

NCREIF Sub-Region * PACIFIC

NCREIF State * California

City * Chatsworth

Postal Code 91304

Year Constructed 1999

Last Year Renovation Occurred N/A

Type of Renovation Completed N/A

Total Units

Number of Units Occupied

Square Footage Available for Lease 153,333.00

Square Footage Leased 153,333.00

Projected Holding Period (Years)

Target Unleveraged Return

Initial Purchase Price (Debt & Equity)

New Comments

InvestranDX - Core - Key Measures & Operating Info - Report - Microsoft Internet Explorer

J.P. MORGAN INV MGMT - TENANT INFORMATION REPORT [Download Spreadsheet](#)

FOR THE PERIOD: 10/1/2005 - 12/31/2005

	2000 Avenue of the Stars	Century Plaza Towers	Dugan Industrial JV1	Total Fund
Tenant 1				
Tenant Name	Creative Artists Agency	Akin Gump	Yokohama Tire Corporation	
NAICS Code				
Leased Square Footage	180,000.00	156,681.00	252,092.00	3,490,009.00
Lease Commencement Date	2/1/2007	9/1/1998	5/17/1995	
Lease Termination Date	7/31/2022	8/31/2013	2/28/2006	
Credit Rating				
Tenant 2				
Tenant Name	Comerica	McDemott Will & Emery	Fisher Scientific Atlanta	
NAICS Code				
Leased Square Footage	42,950.00	80,261.00	223,219.00	2,128,017.00
Lease Commencement Date	10/1/2006	11/1/1998	5/1/1996	
Lease Termination Date	9/30/2021	11/30/2008	4/30/2011	
Credit Rating				
Tenant 3				
Tenant Name	Creative Artists Agency	Home Box Office	Auto-Lok, Inc.	
NAICS Code				
Leased Square Footage	17,164.00	70,034.00	222,900.00	2,091,588.00
Lease Commencement Date	2/1/2007	3/1/1996	3/13/1995	
Lease Termination Date	7/31/2022	4/30/2013	3/12/2008	
Credit Rating				
Tenant 4				
Tenant Name	Fidelity Investments	NWQ Investment Management	Best Buy Stores, Lp	
NAICS Code				
Leased Square Footage	10,065.00	67,300.00	222,643.00	1,514,838.00
Lease Commencement Date	10/1/2006	2/1/2005	1/1/1997	



The following two matrices identify the report elements that are made available through the Real Estate IDX application:

Property Information	Operating Cash Flow Actual and Budgeted	Debt Information
Property Name	Rental Revenue	Lender Name
Property Name	Other Revenue	Detail on Debt - Separate Loans
Property Manager	Total Revenue	Debt Balance
Property Type	Operating Expenses	Amortization Period
Property Sub-Type	Non-Operating Expenses	Interest Rate
Address	Total Expenses	Debt Service Payment
Continent	Net Operating Income	Debt Capitalization
NCREIF Region	Debt Service - Principal on 1st	Debt Terms
NCREIF Sub-Region	Debt Service - Interest on 1st	Debt Amortization
NCREIF State	Debt Service - Principal on 2nd	Original Loan Amount Attributable to Property
City	Debt Service - Interest on 2nd	Original Loan Amount Refinanced
Postal Code	Debt Service - Principal on 3rd	
Year Constructed	Debt Service - Interest on 3rd	
Last Year Renovation Occurred	Debt Service - Principal on 4th	
Type of Renovation Completed	Debt Service - Interest on 4th	
Total Units	Debt Service - Principal on 5th	
Number of Units Occupied	Debt Service - Interest on 5th	
Square Footage Available for Lease	Capital Expenses	
Square Footage Leased	Other Expenses	
Projected Holding Period (Years)	Net Operating Cash Flow	
Target Unleveraged Return		
Initial Purchase Price (Debt & Equity)		
Disposition Data	Valuation Information	Tenant Information
Gross Sale Proceeds	Total Gross Market Value	Tenant Name
Cost of Sale: Commissions	Gross Equity Value	NAICS Code
Cost of Sale: Legal Expense	Client's Ownership Percentage	Leased Square Footage
Cost of Sale: Title & Escrow	Client's Equity Value	Lease Commencement Date
Cost of Sale: Other	Third Party Equity Value	Lease Termination Date
Net Sale Proceeds	Net Client Equity Value	Credit Rating
Repayment of Debt Balance	Other Net Assets/Liabilities	
Net Equity Proceeds	Client's Total Commitment	
Third Party Proceeds	Client's Remaining Commitment	
Client Proceeds	Discount Rate	
	Discount Rate (assumed)	
	Exit Capitalization Rate	
	Implied Capitalization Rate	
	Terminal Capitalization Rate	
	Annual Increase Percentage in Market Rents	
	Allocated Investment Manager Fees	



Manual Data Collection Process: For capital call notices, distribution (cash and stock) notices and financial statements JPMorgan independently receives these based on the method made available by each general partner (e.g., fax, mail, secure website, etc.)

JPMorgan records all capital call and distribution activity based on receipt of the notice directly from the general partner. Required reconciliations with the AID's internal accounting staff and custodian are conducted to ensure that all parties' records agree.

c. New partnerships

- i. The Contractor will load a new partnership on the system within three (3) business days of receiving a notice of closing from AID

Contractor Response to Task:

Confirmed. JPMorgan will load all new partnerships on our system within 3 business days of receiving a closing notice from AID. The closing notice should include all information JPMorgan will be required to reconcile with the completed investment questionnaire from the general partner.

- ii. The Contractor will have a process for getting a questionnaire completed by the general partner to populate all key fields for a new partnership.

Contractor Response to Task:

Confirmed. Upon receipt of notice of closing (notice should include a copy of the limited partnership agreement, subscription agreement and other relevant documentation) of a new partnership from AID, JPMorgan will provide electronic notification to the general partner requesting they complete the applicable sections of the investment questionnaire. The investment questionnaire will be made available as an "eForms" available for AID's general partners.

"eForms" are used as the standard form of communication between PEFS and its institutional limited partner clients and general partners. "eForms" ensure that JPMorgan collects all the relevant information required to accurately book a deal or action. All "eForms" are web based and can be submitted by the client and general partners through the PEFS Online portal.

"eForms" also provide the option for clients and general partners to attach supporting documentation, creating an electronic file that can be archived and referenced for use for future audit reviews, etc.

In addition, "eForms" provide consistency in communication and minimize the opportunity for interpretation differences. "eForms" allow JPMorgan to gather information electronically while applying rules driven business process management (BPM), or workflow, to the data collection process. The XML data architecture makes "eForms" extensible to disparate data sources.

Upon submission of the investment question "eForms" by the general partner, the Account Analyst will receive electronic notification that the "eForms" has been submitted for subsequent review, validation and upload.

- iii. The Contractor will be required to follow-up with the general partner every 30 calendar days if the information is not received.

Contractor Response to Task:

Confirmed. JPMorgan will follow up with the general partner in 30 day increments after the template was sent to the general partner.



- iv. After 90 calendar days, the Contractor will notify AID if the general partner did not provide a complete response to the questionnaire and there are unpopulated fields that need to be completed.

Contractor Response to Task:

Confirmed. JPMorgan will notify AID if the information is not received or is not complete. JPMorgan will provide AID with the name of the individual contacted, when the information was initially requested and a log of subsequent follow up calls made.

- v. Any discrepancies between data provided by AID and the general partner need to be addressed with AID within five (5) business days.

Contractor Response to Task:

Confirmed. Any discrepancies will be addressed with AID within 5 (five) business days. JPMorgan will work with both AID and the general partner to resolve any discrepancies. Once resolved, JPMorgan will ensure our system is updated.

- d. Changes to existing partnerships
- i. The Contractor will develop a process in which the general partners receive a report showing all the data for their fund and they are asked to validate the data. The Contractor will furnish a complete listing of data to the general partner to validate, not a blank questionnaire for the general partner to complete. This process needs to be done once per year. Any failure to complete this task will result in AID not paying any fees for any partnerships missing data until a report is sent and received by the general partner.

The Contractor must have a process in which each fund receives an overview of their information in the system, so they can validate or update

Contractor Response to Task:

Confirmed. JPMorgan will develop a process to similar to what is described in section 1.104.I.b.ii and provide each general partner with a secure, web based, process for reviewing, validate and/or updating necessary information. Each general partner will receive an electronic request to review their respective "eForms". The "eForms" will be pre-populated with the data required for review/validation/update. Upon completion of their review, the general partner will be required to select either "Validated" or "Update" in order to proceed. If "Update" is selected, the general partner will be required to submit changes via the same process as when they initially completed the investment questionnaire "eForms". All general partner submissions will be reviewed by the Account Analyst before they are loaded into our system. A complete audit trail is maintained for both validated and updated submissions.

- ii. The Contractor will receive, analyze and load all daily, monthly and quarterly data, including but not limited to, capital calls, distributions, quarterly financials, partnership term changes, etc.

Contractor Response to Task:

Confirmed. JPMorgan will receive, analyze and load all financial and non-financial items to our system. A series of quality control checks are performed to ensure that the data was uploaded correctly



- iii. The Contractor will be expected to track the number of days that quarterly and annual financial statements are due within investment funds. The Contractor will be responsible for following up with general partners three (3) business days after the contractual investment fund due date if financial statements have not been received. The Contractor will continue to follow-up every 15 calendar days until the general partner submits their quarterly or annual financial statements.

Contractor Response to Task:

Confirmed. JPMorgan will track the number of days after each quarter or fiscal year end financial statements are due from the general partner. Once the deadline has passed and we have not received the financial statements, JPMorgan will contact the general partner to confirm when the financial statement is expected. The general partners initial response is tracked in our relationship management application (please see response to section 1.104.II.f.) JPMorgan repeats this process until the financial statement is received or until such time AID requires notification of non-receipt.

- iv. All information needs to be loaded into the system within three (3) business days upon receipt, but preferably daily. The only exception to this is quarterly financials, which will be loaded within five (5) business days.

Contractor Response to Task:

Confirmed. JPMorgan's practice is to enter information on the day it is received, but in no event later than the following business day after the information is received. JPMorgan currently loads quarterly financial information within five (5) days from receipt.

- v. Reconcile all data on a monthly basis with AID and any other parties as necessary. If financial statements are generated quarterly rather than monthly, then reconcile this information only on a quarterly basis.

Contractor Response to Task:

Confirmed. JPMorgan has extensive experience in reconciling with third parties on a daily, monthly and quarterly basis to ensure all information is received and processed accurately.

- vi. The system needs to have the ability to add, change or delete historical information with the appropriate audit trails and approvals.

Contractor Response to Task:

Confirmed. JPMorgan uses a robust, flexible database that gives its analysts the ability to add, change or delete historical information within a highly controlled environment. Only when JPMorgan receives all of the appropriate backup and necessary client approval, will changes to historical transactions or valuations changes take place. When adding, changing or deleting a transaction, our system maintains the history and audit trail associated with this activity. Transactions will remain in our secure database and assigned a unique "Batch ID", for ease of subsequent retrieval. In this way, any transaction marked as "Inactive" will not affect the performance or other attributes of the performance calculations. When correcting transactions are added, JPMorgan will use the appropriate date, detail the reason for the change and include, if applicable, the "Batch ID" of related transactions. Once a historical transaction has been added, changed or deleted, JPMorgan will provide AID with all relevant back-up for its records. All correspondence related to these transactions are retained electronically in our system.

- e. Loading historical portfolio
 - i. The Contractor will be required to collect and load all historical cash flow, non-cash flow and partnership data from the existing contractor at no cost.

**Contractor Response to Task:**

Confirmed, provided, however, that all historical cash, non-cash flow and partnership data can be provided by the existing contractor in an electronic format acceptable to JPMorgan such that minimal manual data manipulation and/or manual data entry by JPMorgan staff will be required.

- ii. The Contractor will reconcile the historical data with AID and current contractor to ensure accuracy of data.

Contractor Response to Task:

Confirmed. All conversion activity is performed in a fully automated environment. JPMorgan maintains a data conversion template which provides a mapping hierarchy to the accounting and reporting modules within its core accounting system. This is a critical step in the conversion process and drives the complexity level of the event. Upon the completion of the data upload process, a full reconciliation is completed for all data points involved in the conversion. A high level summary of tasks involved in this process are as follows:

- Private Equity – Life to date IRR reconciliation
- Production of reconciliation schedule which provides a comparison of JPMorgan’s results to the original source data files
- Establish report set
- Perform client training

In order to provide the client with the most complete and flexible reporting solution, JPMorgan requires a full set of cash flows and market value records for each fund investment.

JPMorgan approaches all client conversions with a positive, partnership attitude and assumes full cooperation and attention from the exiting contractor.

The following table provides the key data elements of a typical conversion.



Conversion Element	Conversion Item	Conversion Reconciliation	Check List
Distributions		Investment Classification	
Return of Capital	X	Investment labeling (Venture, Buyout, etc.)	X
Capital Gain	X	Fund Manager	X
Temporary Return of Capital	X	Vintage Year	X
Return of Capital - Stock	X	Cash Contributions	X
Capital Gain - Stock	X	Cash Distributions	X
Interest	X	Valuation	X
Dividend	X	Investor Commitment	X
		Un-funded Commitment	X
Contributions		Performance Measurement	
Purchase	X	Income ROR (Gross & Net)/RE (Time Weighted)	X
Management Fees	X	Appreciation ROR/RE (Time Weighted)	X
Management Fees - Impact Commitment	X	Total ROR (Gross & Net) RE (Time weighted)	X
Expenses	X		
Expenses - Impact Commitment	X		
		Long Term IRR	X
Reporting Balances			
Valuation	X		
Investor Commitment	X		
Un-funded Commitment	X		
Income	X		
Appreciation	X		



II. Data Collection

- a. The following fields are always loaded (required fields)

Contractor Response to Task:

1. Fund Name
2. Fund Sponsor/Manager Name
3. Vintage Year of Fund
4. Total Fund Size
5. Investment Type
6. Sub Investment Type
 - a. Dates and Amounts of all Fund Closings
7. Local Currency of Partnership
8. Geographic Location of Partnership
9. GP Commitment
10. GP Commitment % of Total Fund
11. LP Commitment
12. LP Commitment % of Total Fund
13. Contacts at the Partnership (name, e-mail, phone, fax, address)
 - a. Controller
 - b. Managing Director
 - c. Administrative Contact
14. Management Fee Calculation
 - a. During Investment Period
 - b. After Investment Period
15. Hurdle Rate provision
16. General Partner Carried Interest Calculation
17. Investment Period End Date
18. Partnership Termination Date
19. Number of days after quarter end Financial Statements are due

- b. The following fields are commonly loaded (optional fields)

Contractor Response to Task:

1. Number of Partnership Extensions
2. Length of Partnership Extensions
3. CUSIP (unique identifier) of Partnership
4. Account Number (Custodian) of Partnership
5. Regional Focus of Partnership
6. Industry Focus of Partnership

- c. The following fields are rarely loaded

Contractor Response to Task:

1. Top 10 Limited Partners invested in Partnership
2. Advisory Board Members



- d. The Contractor must have a process to ascertain partnership information in order to load a new fund

Contractor Response to Task:

Upon receipt of notice of closing (which notice should include a copy of the limited partnership agreement, subscription agreement and other relevant documentation) of a new partnership from AID, JPMorgan will provide electronic notification to the general partner requesting they complete the applicable sections of the investment questionnaire which will be available as an “eForms” through PEFS Online.

Once received from the general partner, the Account Analyst will promptly review the questionnaire to ensure all required data is complete, and in agreement with the original notice of closing and related documentation previously submitted by AID. JPMorgan will promptly notify AID of any discrepancies for resolution.

Using an automated upload template, the reconciled investment questionnaire will electronically upload to the system. As a final quality check, a different Account Analyst or the Account Manger will review the system record against the investment questionnaire to ensure completeness and accuracy.

- e. The Contractor must have a process to ascertain partnership information in order to update and load an existing fund.

Contractor Response to Task:

Upon receipt of financial statements, amendments to limited partnership agreement or documentation received either directly from the general partners and/or AID, the Account Analyst will perform a series of checks of the data maintained in our system versus the data or information reported. Any changes to the data (e.g., commitment %) or non-financial information (e.g. advisory board member change) are identified to the Account Manager, who will contact AID and present findings. Upon verification with AID, data and/or information will be updated and then reconciled against the source document to ensure the data was loaded accurately.

- f. The Contractor must have a process to monitor outstanding information requests that are requested, but yet to be received or loaded (i.e. automated or manual).



Contractor Response to Task:

JPMorgan monitors outstanding information requests through our system's relationship management application. Through this application JPMorgan tracks each information request submitted to general partners and assigns each request with a due date, status, and priority. In addition, the user has the ability attach supporting documentation and/or reports related to the activity in the application.

The screenshot shows a software application window titled "- Activity". The window has a menu bar with "System", "View", and "Action". Below the menu bar is a toolbar with icons for "New", "Save and Close", "Assign Activity", and "Recurrence". The main area of the window is divided into tabs: "General", "More Info", "Files (0)", and "Reports". The "General" tab is active and contains the following fields:

- Subject: [Empty text box] Type: [Dropdown menu]
- Start Date: [Dropdown menu] Status: [Dropdown menu]
- Due Date: [Dropdown menu] Priority: [Dropdown menu] Owner: Nisha Mirchandani
- Date Completed: [Dropdown menu] % Complete: 0
- Reminder: [Dropdown menu] [Time selection dropdown]
- Review Status: [Dropdown menu]

Below these fields is a "Description" section with a large text area. At the bottom of the window, there is a "Participants" section with a list area. The status bar at the very bottom displays: "Created by [10/26/2006] Modified by [10/26/2006] SI-SQL-01 DB_PEF552 Nisha Mirchandani".



- g. The Contractor must have a process for loading fund data and include the timeliness of this data in response

Contractor Response to Task:

Once the investment questionnaire is received from the general partner, the Account Analyst will review the questionnaire to ensure all required data is complete, and in agreement with the original notice of closing and related documentation previously submitted by AID. Assuming no discrepancies, the data is promptly uploaded electronically using an automated upload template. As a final quality check, a different Account Analyst or the Account Manger will review the system record against the investment questionnaire to ensure completeness and accuracy.

Any discrepancies will be identified to AID for resolution, after which, the upload process described above promptly occurs.

- h. The Contractor must have a process to ensure that fund sizes and commitments are accurate if there are subsequent closings to a fund from the initial data load.

Contractor Response to Task:

Upon receipt of financial statements, the Account Analyst reviews the ownership percentage based off of the capital account balance for AID's balance versus the entire fund and then compares that to the ownership percentage calculated based on AID's commitment. Any discrepancies between financial statement periods will be investigated further with the general partner. To correct any changes in commitment percentages, JPMorgan may require additional support from the general partner. JPMorgan will then update its system with the updated fund size and commitments.

- i. The Contractor must have a process to track changes in partnership terms or amendments to ensure database is updated.

Contractor Response to Task:

Upon notification of a change in partnership terms of amendment, JPMorgan will send an electronic approval memo to AID, including a description of the change, copy of source document, etc. Once approved by AID, the Account Analyst will update the system. A different Account Analyst will review the system against the signed approval memo to ensure changes were correctly loaded. Full Audit trail reporting of any changes made will be available.

III. Fund Level Data structure

- a. The following are required as distinct fields to track data:
- i. Unique Fund Identifier (Cusip)
 - ii. Vintage Year of Fund
 - iii. Name of Partnership
 - iv. Fund size
 - v. AID commitment to partnership
 - vi. AID contributions to partnership
 - vii. Description of capital call or distribution
 - viii. AID partnership expenses
 - ix. AID management fee offsets or changes
 - x. AID organizational expenses paid to the partnership
 - xi. AID interest expenses paid to the partnership
 - xii. AID management fees paid to the partnership
 - xiii. AID permanent distributions from partnership
 1. AID cost portion of distribution
 2. AID gain portion of distribution
 3. AID income portion on a distribution



- xiv. AID value of a stock distribution
 - 1. Initial value
 - 2. Final value (some funds have moving average and valuation is not finalized until after the distribution)
- xv. AID distributions that are recallable capital from partnership
- xvi. AID outstanding commitments to partnership (includes recallable and recyclable capital)
- xvii. AID current market value of partnership
 - 1. Contractor will have a field to track if market value is Gaap basis or Tax basis reporting
 - 2. Contractor will have a field to track if market value is from audited or draft financial reports
- xviii. AID current book value of partnership (data provided by AID or process established to calculate)
- xix. Assigned AID analyst. The system must track AID provided names of analysts that are responsible for funds in the portfolio.
- xx. Investment Type (as defined by AID below)
 - 1. Venture Capital
 - 2. Buyout
 - 3. Mezzanine
 - 4. Special Situations
 - 5. Fund of Funds
 - 6. Hedge Funds
 - 7. Stock Distributions
- xxi. Sub Investment Type (as defined by AID below)
 - 1. Venture Capital
 - a. Early Stage Venture Capital International
 - b. Early Stage Venture Capital U.S.
 - c. Late Stage Venture Capital International
 - d. Late Stage Venture Capital U.S.
 - e. Multi Stage Venture Capital International
 - f. Multi Stage Venture Capital U.S.
 - 2. Buyout
 - a. Large Market Buyout International
 - b. Large Market Buyout U.S.
 - c. Small/Middle Market Buyout International
 - d. Small/Middle Market Buyout U.S.
 - 3. Mezzanine
 - a. Mezzanine International
 - b. Mezzanine U.S.
 - 4. Special Situations
 - a. Distressed/Restructuring International.
 - b. Distressed/Restructuring U.S.
 - c. Global Opportunity Funds
 - d. Energy/Natural Resources
 - e. Secondary Funds International
 - f. Secondary Funds U.S.
 - g. Special Situations International
 - h. Special Situations U.S.



5. Fund of Funds
 - a. Co-Investment Funds
 - b. Fund of Funds International
 - c. Fund of Funds U.S.
6. Hedge Funds
7. Stock Distributions
- xxii. CRA Code (AID defined field)
 1. 6110 – Venture Capital
 2. 6125 - Special Situations International
 3. 6120 – Special Situations
 4. 6130 – Large Buyout
 5. 4200 – Stock Distribution
- xxiii. Fund Status
 1. Active
 2. Inactive
- xxiv. Management fee percent during investment period
- xxv. Management fee percent post investment period
- xxvi. General Partner Commitment percent
- xxvii. Investment period expiration date
- xxviii. General Partner Carry %
- xxix. Transaction fee split %
- xxx. Monitoring fee split %
- xxxi. Notes (field to type comments on the fund. Must allow at least 2000 characters.

Contractor Response to Task:

Confirmed. JPMorgan's system can track and report on all of the above fields. In addition, User Defined Fields (UDFs) allow JPMorgan to create additional data fields required by AID for any new reporting requirements.

- b. The Contractor will also be expected to be able to track Partnership information such as office address, ten (10) largest limited partners by commitment size, and Advisory Board members. The Contractor will also track key partnership terms such as, but not limited to, management fee calculation, carried interest formula, term of partnership, number and length of partnership extensions available and used, management fee offset, etc.

Contractor Response to Task:

Confirmed. JPMorgan will track the above information and make available for AID to access through a dedicated "community" established for AID in Investran Data Exchange (IDX). The layout and information available is completely flexible and is determined by AID's requirements. The following screen shot depicts a sample "landing page" for some key partnership information.



InvestranDX - Orange Tree Ventures - Microsoft Internet Explorer

Address: https://www.investrandx.com/default.aspx?DN=34497,34492,1,Documents

Welcome, Mike Demaio

Home / JPMorgan Private Equity Fund Services / Orange Tree Ventures

Orange Tree Ventures

Fund Contact Information	General Partner Principals
Fund Controller: Mary Jane Doe Tel: 212-415-4510 Fax: 212-415-0005 E-mail: mdoe@orangetree.com	Alex Martinez Alex.martinez@orangetree.com Jane Alexander Jane.Alexander@orangetree.com Rick Albert Rick.Albert@orangetree.com
Important Dates	Commitment Information
Initial Closing Date: January 5, 2004 Date of Final Closing: June 10, 2004 Commitment Period: August 2, 2005 Expiration Date: Termination Date: December 31, 2014	LP Commitments: \$250,000,000 GP Commitment: 2,500,000 Total Fund Size: \$252,500,000
Management Fee	Stage Focus
2% of capital commitments of the fund. Fees are paid from commitments.	Venture/Startups
Profit/Loss Allocations (GP/LP)	Geographical Focus
Gains are allocated 80% to LPs & 20% to GP	Northeast U.S
	Industry Focus
	Technology

Recent Documents

- Demo for SunGardWorld**
Effective Date: Nov 9, 2005 Last Update: Nov 9, 2005
[JPMorgan Private Equity Fund Services / Orange Tree Ventures / Quarterly Reports](#)
- Distribution # 4 2005**
Effective Date: Nov 8, 2005 Last Update: Nov 11, 2005
[JPMorgan Private Equity Fund Services / Orange Tree Ventures / Distributions](#)
- Distribution # 3 2005**
Effective Date: Nov 7, 2005 Last Update: Nov 7, 2005
[JPMorgan Private Equity Fund Services / Orange Tree Ventures / Distributions](#)

Your session will expire in 29 minute(s)

IDX is a web-based communication and document management system. This technology plays an important role in how JPMorgan will meet AID's information and report delivery requirements:

- Documentation Management.** JPMorgan will establish Data Exchange communities according to AID's requirements. The scope of the documentation available can be limited to legal documents but the option exists to extend the scope of information availability to financial statements, capital call, distributions or any paper based document that requires this information be maintained in electronic form. IDX offers a flexible search capability which allows user to search for text within the documents themselves.

In addition to delivering hard-copy reports per AID's requirements, JPMorgan will also use IDX as a report depository for all reports and other work product produced by JPMorgan for AID. In this way, AID staff can retrieve previously issued Investment Management and Accounting Reports.



IV. Company Level Data Structure

- a. Geographic headquarters of portfolio company
 - i. U.S headquarters – Need state of headquarters.
 - ii. Non-U.S. headquarters – Need country of headquarters.
- b. Portfolio company cost (prefer both original and current)
- c. Portfolio company market value
- d. Prefer to have portfolio company realization value
- e. Portfolio company status
 - i. Private
 - ii. Public
 1. Must be able to provide ticker symbol if a public company
- f. Portfolio company industry. AID must agree with the Contractor on industry categories to be used.

Contractor Response to Task:

Confirmed. With the exception of original cost for portfolio companies, JPMorgan will track the above information, assuming data is available from the general partners and/or financial statements.

V. General Reporting System Requirements

- a. The Contractor is responsible for data residing at the Contractor's site.

Contractor Response to Task:

Confirmed. JPMorgan takes full responsibility for data residing at our site and has taken considerable measures to protect and maintain the integrity of the data – current and historical – for all our customers. Further, JPMorgan maintains disaster recovery (DR) readiness at all times and will provides reports on the results of our periodic DR verification testing

JPMorgan seeks complete compliance with all regulations (FFIEC, Sarbanes-Oxley, etc.) regarding the integrity of client data and undergoes numerous internal and external audits each year.

- b. The Contractor must provide all data and reports to AID via a web browser, Microsoft Internet Explorer version 6.0 or later. No additional software or hardware will be required for the customer. This service will operate 24 hours a day, 7 days a week, but will be available 99% of the time between 8:00 a.m. and 5:00 p.m. eastern standard time on business days. Any interruptions in service over 30 minutes must be reported to AID with the following:
 - i. Length of interruption
 - ii. Reason for interruption
 - iii. Resolution and estimated time to resolve



Contractor Response to Task:

Confirmed. The service level identified by AID is within JPMorgan's operating objectives.

JPMorgan utilizes a Citrix (www.citrix.com) access infrastructure for application delivery via the Internet. As such, we do have minimal system requirements for users, but no client-side JPMorgan software is required.

Client system requirements:

- Microsoft Internet Explorer 5.5 or greater
- Updated VeriSign Intermediate Root Certificate (www.verisign.com)
- Citrix ICA Web Client 9.150 or higher (www.citrix.com)
- RSA SecurID (www.rsasecurity.com) -- *multi-factor authentication; token issued by JPMorgan*
- Users that are behind an Internet proxy may need to configure auto proxy settings to permit a persistent connection to the Internet (discussion for LAN administration support)

JPMorgan selected these products from well-known, market-leaders in Internet application delivery and security.

JPMorgan proactively monitors the performance and availability of our Web applications – utilizing Computer Associates' UniCenter and ServiceDesk – for issue identification, notification, and escalation.

- c. The system response time for the end-user should not be excessively long. Data must populate within ten (10) seconds, and reports must populate within one (1) minute based on the Environment in section 1.103.

Contractor Response to Task:

Confirmed. The system performance levels identified by AID above are consistent with the performance of our operating platform.

- d. The Contractor will provide telephone support from 8:00 a.m. to 5:00 p.m. on workdays and will respond to concerns within two (2) business days.

Contractor Response to Task:

Confirmed. AID assigned account management and analyst staff will provide telephone support from 8:00 am to 5 p.m. during the workday. JPMorgan's practice is to respond promptly to all client concerns within two (2) business days, although same day turnaround requests will be accommodated on commercial reasonable efforts.

Additionally, JPMorgan Technology Help Desk is available 8:30am to 6:00pm weekdays; after hours/weekends/holidays, pager and phone availability with one (1) hour acknowledgment. Regional technical support is also available in the Central Time Zone.

- e. The system will include a security subsystem to maintain the integrity and security of the portfolio information in the Contractor's possession. It is preferred that the Contractor will provide encrypted transmission of the data through the Internet.



Contractor Response to Task:

Confirmed. JPMorgan utilizes strong authentication and encryption for all Internet communications.

PEFS Online, our Web portal, utilizes a hardened Citrix Access Gateway VPN appliance, enforcing standards-based SSL/TLS encryption throughout the user session. Further, PEFS Online uses double-authentication -- requiring an Active directory user name & password *plus* a 2-factor authentication token (PIN & passcode) for access.

- f. The system must accommodate at least 12 client users each with a unique log-on ID and password. The system needs to allow users to have "read only" access. Any modifications to the reporting system need to be transparent to AID and not require any updates on AID computers.

Contractor Response to Task:

Confirmed. In addition to the logon *authentication* described in (e), above, Investran application *authorization* is SQL Server role-based and managed by PEFS Application Security Administrator via an application interface. Investran permissions for virtually any application function can be configured for "read only" by any legal entity.

- g. The Contractor is responsible for all, including but not limited to, data entry, maintenance, back-up and recovery of the web based system. The Contractor is responsible for reconciling data on a monthly basis.

Contractor Response to Task:

Confirmed. Please see our response to section 1.104.V.a and section 1.104.V.j.

- h. All system upgrades will be provided to the client at no additional cost during the term of the Contract.

Contractor Response to Task:

Confirmed. General enhancements, changes and upgrades to JPMorgan's application fall under Business As Usual activity.

- i. The Contractor is responsible for backing up the data at least once per week, if not daily. The Contractor must provide a disaster recovery plan and the reporting tools must to be available no more than five (5) business days after a disaster. Describe Contractor's disaster recovery/business continuity plan.\

Contractor Response to Task:

Confirmed. JPMorgan will provide copy of disaster recover plan to AID upon request, brief AID of our periodic disaster recovery testing and update AID with a root/cause post-mortem within five (5) days after any event that triggers and disaster scenario.

JPMorgan's production environment is designed to be fully recoverable in the event of a disaster. For enhanced performance, reliability, and security, SAN based storage is used for the production servers thus removing the risk associated with utilizing local hard drives. SAN to SAN replication is utilized to mirror all data and system changes from production to the disaster recovery site automatically and in near real-time. The production site is located in Staten Island, New York and the disaster recovery site is located in Phoenix, Arizona. In the event the disaster recovery site needs to be brought online, no data restoration will be necessary; all the data and system changes in production will already be available on the SAN in Phoenix. We plan for a recovery time of less than four hours.



In addition to the SAN to SAN replication described above, differential backups are performed nightly and full backups are conducted weekly. The PEFS data archiving methodology is as follows:

- Daily tapes are held for 8 days
- Weekly tapes are held for 5 weeks
- Monthly tapes are held for 13 months

All tapes are moved offsite daily to a secure long-term storage facility.

- j. AID needs the ability to download all available reports to their desktop via Microsoft Excel and other software formats as applicable. The user should be able to select the appropriate date or date range for the reports.

Contractor Response to Task:

Confirmed. JPMorgan supports native Investran Report Wizard, PDF and Excel report output format. Further reports types that are made available via Investran DX are HTML, PDF, Excel and Word. In addition, through the Investran Report Wizard and Investran DX, AID will have the ability to create a set of dynamic reports that have date range flexibility.

- k. The Contractor must provide the architecture of their hardware configuration, architecture and infrastructure of the computer system, including the frequency of system upgrades

Contractor Response to Task:

The last major upgrade to our core application was April 2006, when we upgraded to Investran v5.2. We expect to deploy the maintenance release of Investran v5.2.1 in 4Q06, in order to obtain built in support for MS Word formulas to further enhance our reporting services.

- l. The Contractor will provide a full service level agreement.

Contractor Response to Task:

Confirmed.

- m. The Contractor will meet with AID at least one (1) per year to review contract performance and current operations. The meeting will take place at AID offices in East Lansing, Michigan.

Contractor Response to Task:

Confirmed. JPMorgan believes periodic client meeting are critical to ensuring a successful relationship.

- n. The Contractor agrees to work on transitioning to a successor Contractor at the termination of this Contract (see section 2.218).

Contractor Response to Task:

Confirmed. JPMorgan agrees to work on transitioning to a successor contractor upon termination of this Contract in accordance with section 2.218.

- o. Contractor must at all times have in place a written information security program for protecting investment information. The Contractor's security program, in accordance with the aforementioned regulation, must be designed to (i) ensure the security and confidentiality of any investment information provided to the Contractor, (ii) protect against any anticipated threats or hazards to the security or integrity of such information, and (iii) prevent unauthorized access to or use of such information.



Contractor Response to Task:

Confirmed. JPMorgan maintains comprehensive written information security policies covering, areas including, but not limited to risk governance, IT risk, and operational risk.

- p. The Contractor must provide the physical and logical system access controls and security necessary to ensure secure access for the functions described in this RFP. Physical and logical access controls for all facilities, equipment, and applicable systems must be addressed. The following national/international security standards and publications including, but not limited to, must be adhered to:
- i. "National Standards: An Introduction to Computer Security", National Institute of Standards and Technology, Computer Resource Security Center (see <http://csrc.nist.gov/cc/index.html>)
 - ii. Interagency Guidelines Establishing Standards for Safeguarding Customer Information; Final Rule (12 CFR Part 30, et al).

The following security control requirements must be addressed:

a) Management Controls

- 1) Risk Assessment of operational and technological risks, including threat identification
- 2) System Life Cycle Management
- 3) System Security Certification
- 4) System Security Accreditation and Assurance
- 5) System Security Plans.

b) Operational Controls

- 1) User Administration, e.g., User Account Management, Password Management, etc.
- 2) Separation of Duties
- 3) Personnel Security
- 4) Security Awareness, Training, and Education
- 5) Contingency Planning, i.e., Business Continuity and Disaster Recovery Plans
- 6) Security Incident Handling
- 7) Physical & Environmental Security
- 8) Configuration Management
- 9) Media Protection, e.g., Media Labeling, Media Storage, Media Transport, Media Sanitization, etc.
- 10) System Security, e.g., Malicious Code Protection, Intrusion Detection Tools and Techniques, Spam and Spyware Protection, Security Alerts and advisories, etc.
- 11) Data Security, e.g., Data Input Restrictions, Data Processing Error Handling, Data Output Error handling, etc.

c) Technical Controls

- 1) Identification and Authentication Methods
- 2) Logical Access Controls, i.e., a technical means of controlling access
- 3) System and Communication Protection, e.g., Security Function Isolation, Denial of Service Protection, Transmission Integrity and Confidentiality, Intrusion Detection etc.
- 4) Change Control
- 5) Cryptographic Technologies
- 6) Audit Trails.



Contractor Response to Task:

While the Citrix Access Infrastructure deployed by JPMorgan has not been evaluated by the CCEVS specifically (i. & ii., above; <http://csrc.nist.gov/cc/index.html>), Citrix has received FIPS 140 validation.

Federal Information Processing Standard 140 (FIPS 140) is a US federal government standard that details a benchmark for implementing cryptographic software. It provides best practices for using cryptographic algorithms, managing key elements and data buffers, and interacting with the operating system. An evaluation process that is administered by the National Institute of Standards and Technology's (NIST) National Voluntary Laboratory Accreditation Program (NVLAP) allows encryption product vendors to demonstrate the extent to which they comply with the standard, and thus, the trustworthiness of their implementation. The security community at large values products that follow the guidelines detailed in FIPS 140 and the use of FIPS 140-validated cryptographic modules.

The Citrix secure application server access products, as deployed by JPMorgan, use cryptographic modules that are FIPS 140-validated in Windows 32-bit implementation of secure SSL/TLS connections.

With regard to management controls, JPMorgan conducts annual controlled self-assessments and is subject to many regulatory control standards, including Sarbanes-Oxley and FFIEC guidelines. As such, we undergo annual third-party penetration testing of our environment from the Internet and ask all vendors to maintain a current SAS 70 certification or agree to an independent Outside Service Provider review.

Operationally, we maintain separation of duties so that no one is in control over logical access to our systems. Active Directory, SQL Server security, RSA SecurID provisioning, and application-level security are all maintained by different operational areas. Personnel all undergoes drug screening and background checks, as required for all JPMorgan staff and vendors.

We maintain a structured Configuration Management program, with development, QA, production, and DR environments. All environments, with the exception of development, are subject to strict change control processes.

Systems are regularly scanned for viruses and spyware (using Computer Associates' eTrust products) and updated with critical operating system patches (Microsoft).

Logical access to all our applications requires multi-factor authentication (using RSA SecurID) that we believe to be compliant with FFIEC guidelines for financial institutions (www.ffiec.gov).



- q. The Contractor must provide a copy of the organization's most recent SAS70 or similar internal control report.

Contractor Response to Task:

JPMorgan Private Equity Fund Services (PEFS) is audited by JPMorgan Chase's General Audit Department, JPMorgan Chase's Independent Audit Firm, PriceWaterhouseCoopers, and various Regulatory Agencies, including the Federal Reserve Bank, the OCC, New York State and the Securities and Exchange Commission.

JPMorgan Chase's General Audit Department's technical audit services division conducts examinations of all significant systems development and enhancement activities prior to implementation. Auditors typically review documents, records and reports to track adherence to policies and procedures in detail on a sampling of accounts. In addition, they evaluate the adequacy of internal control procedures.

PriceWaterhouseCoopers performs an annual audit of JPMorgan Chase's financial statements. In addition, PriceWaterhouseCoopers issues an annual SAS 70 report for the JPMorgan Chase custody operations. Control standards are designed to meet U.S. Statement on Auditing Standards No. 70 (SAS 70) as well as U.K. Financial Reporting and Auditing Group (FRAG) 21 requirements.

Our environment for JPMorgan PEFS Online is a new facility (2006) and has not yet undergone a SAS 70 facility review. We have, however, performed a third-party penetration test and conducted our own site assessments in 2006. For 2007, we are planning to complete a SAS 70 review.

These external auditors use the General Audit Department audits as a baseline for their evaluation of JPMorgan Chase's internal controls. The General Audit Department conducts annual on-site visits to perform compliance checks against established securities processing and accounting standards. The department makes recommendations to senior management and checks compliance of agreed-upon actions with senior management.

JPMorgan PEFS is supported by a captive technology and operations risk team, responsible for the coordination of critical programs such as compliance with Sarbanes-Oxley and control Self-Assessments. The team participates in several of the JPMorgan Chase & Company Risk committees and also reports to other corporate risk areas, such as Corporate Information Risk Management.

Additionally, the PEFS Data Center has been reviewed, from a Penetration Test perspective, by an Independent Vendor, and more recently, its new Data Center has been certified by an internal group of JPMorgan Chase.

The Technology and Operations Risk team participates in various stages of the development of new products/applications, performs on-going control self assessments of the PEFS control environment and performs independent SOX compliance reviews throughout the year, e.g., monthly, quarterly, and semiannual tests.

All recent internal and external examinations have been satisfactory and the level of changes to control and procedures has not been significant. The Finance and Risk team reviews the control recommendations and formulates a response. Depending on the criticality of the control/procedure, changes need to be approved by Compliance, Internal Audit, and PriceWaterhouseCoopers.

JPMorgan would be pleased to work with the Michigan AID to provide verbal information about internal audit reports, however, as a matter of policy, this information is not released in writing. Similarly, working papers and reports of internal or external auditors are considered confidential, and as a matter of policy JPMorgan does not make them available to clients or their auditors.

- r. The Contractor must notify the Contract Compliance Inspector seven (7) days in advance of any scheduled downtime. All system outages/shutdowns must be reported immediately to the Contract Compliance Inspector or designee. Within 24 hours of problem resolution and restart, the Contractor must prepare and submit a report to the Contract Compliance Inspector or designee indicating elapsed downtime hours, start/end timeframes, reason for the outage, impact on the systems (lost data, etc.) for each occurrence and resolution to mitigate future occurrences.

Contractor Response to Task:

Confirmed JPMorgan will provide at least seven (7) days' notification in advance of any downtime that needs to be scheduled for our systems environment. Further, we will provide appropriate escalation and root-cause/impact analysis for all material technology incidents.



VI. Reporting

- a. The Contractor must provide within 30 calendar days of quarter end, available private equity market data for both domestic and international markets.

Contractor Response to Task:

JPMorgan currently subscribes to a number of well known alternative market data and research in order to keep up to date of key issues and trends. In addition, JPMorgan's Global Market Strategy group periodically publishes analysis of the alternative investment market.

While this information is not published on a regular basis, we would be pleased to discuss AID's specific requirement in more detail and recommend a tailored document that could be sent to AID as specific above.–

- b. Ad hoc or report builder capabilities must be available in addition to the defined reports listed in sections 1.104VI.c.vi through xx, and 1.104.VI.d.iii through xxi.

Contractor Response to Task:

JPMorgan's alternative investment accounting platform is a powerful and comprehensive portfolio management tool which provides reporting and analysis for sophisticated investors in the Alternative investment space. The system features the accounting and portfolio management core system, along with several integrated modules including Investran DX, Report Wizard and Dynamic reports. Each module interfaces seamlessly allowing users to configure a powerful and highly scalable reporting solution.

AID will access their data through the PEFS portal (PEFS Online) via the Internet. The portal provides access to following PEFS applications: Investran Report Wizard (report builder) InvestranDX for access to financial statements and Dynamic Reporting as well as "eForms" to communicate transaction information.

- **Report Wizard.** This engine provides the greatest flexibility in querying the database and producing custom reports. With Report Wizard, clients can create meaningful reports in seconds, without the need for any additional programming. There is no SQL expertise or Crystal Report development required to get the desired data from Investran. Report Wizard is delivered with 10-20 standard, formatted reports. In addition, Report Wizard is able to access hundreds of system standard data elements and any user-defined field automatically. These data elements are used in reports and are available for query and analysis. Standard reports include analysis by Vintage year, Fund Manager, Investment Strategy, Property Type, Region, etc. Key features and capabilities include:
 - Unlimited Sorting and Filtering Capabilities
 - User-Defined Reporting Hierarchies
 - Dynamic IRR and Market Value Calculations
 - On the Fly Calculations
 - Elegant Integration with Excel

An example layout of **Report Wizard** is provided below:



Investran Report Wizard 4.4.2 - ATT DEMO REPORTS\Private Equity Long Term IRR by Investment Strategy

Report View Tools Data Export Help

Primary Items Transactions Accounts

Data-Item	Filter-Value	Time-Period	Sort-Order	Subt...	Hid...	Format	Heading	Currency	Performance
Legal Entity	= Private Equity; Priv...			<input type="checkbox"/>	<input checked="" type="checkbox"/>				
Investment Type			Ascending	<input checked="" type="checkbox"/>	<input type="checkbox"/>				
Business Unit			Ascending	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
Domestic or International			Descendi...	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				
Deal Name				<input type="checkbox"/>	<input type="checkbox"/>				
Fund or Direct				<input type="checkbox"/>	<input type="checkbox"/>				
First Take Down Date									
Contributions		LTD: Effe							<Legal Entity>
Distributions		LTD: Effe							<Legal Entity>
Market Value		#Effectiv							<Legal Entity>]Daily, Sequential[

Primary Data-Items

- ATM
- Benchmark Data
- Bridge
- Company Issue
- Company Sub Issue
- Company
- Compliance
- Contact Management
- Currency
- Deal
- Financial
- General Ledger
- Investor
- IOL Logging
- Legal Entity
- Position
- Static Allocation Rules
- Statistics
- Stock Record
- Transaction Details
- User Defined Fields
- UserDefined
- Vehicle

Filter and Operator Selection

Values Parameters

Filter Operator: [= (Equal)] Skip Nulls Context Filter

Investment Type	Select
BO/Mezz	<input type="checkbox"/>
Core Holding	<input type="checkbox"/>
Corporate Finance Partnership	<input type="checkbox"/>
Direct Investment	<input type="checkbox"/>
Distributed Stock	<input type="checkbox"/>
Energy	<input type="checkbox"/>
Opportunity Fund	<input type="checkbox"/>
Private Debt Partnership	<input type="checkbox"/>
Private/Public REIT	<input type="checkbox"/>
Real Estate Transition Account	<input type="checkbox"/>
Short Term	<input type="checkbox"/>
Total Other	<input type="checkbox"/>
UNCLASSIFIED	<input type="checkbox"/>

Selections on Top Selected Items Only

Filter Selection

SKIP NULLS

Clear Selection Clear Filter Select Cancel

Ready DEMAIOM2 (Administrator) db_att442 jpmssqlsvr\jpmmaster 0 row(s)

start Pal... 2 I... A - ... Gri... 2 M... 4 C... 4:16 PM



Investran Data Exchange (IDX). IDX is a web-based communication and document management system. This technology plays an important role in how JPMorgan will meet AID's information and report delivery requirements today. The various IDX facilities are as follows:

- **Documentation Management.** JPMorgan will establish Data Exchange communities according to AID's requirements. The established community hierarchies will cover. The scope of the documentation available can be limited to legal documents but the option exists to extend the scope of information availability to financial statements, capital call, distributions or any paper based document that requires web-enabled technology.

In addition, this tool serves as a report depository for the report sets that are exchanged between organizations. For example, if AID requires a copy of its 4Q05 or 3Q05 quarterly reporting package, it can easily be retrieved in the AID Client Reporting Community and be made available in PDF or XLS format.

The following screen shots represent a sample document management community. With this community, AID can maintain real-time access to the legal documentation governing its investment portfolio.

- **Dynamic Reports.** Investran Dynamic Reports is a feature that provides the client with instant access to the business critical reports that are repetitive in nature. This application provides the user with a clean and simple user interface with the ability to execute real time reports and publish them in PDF, HTML or XLS.

This application will enable AID to access to a suite of critical reports in a simple to use environment. This application is made available through the Investran DX home page.

The following three screen shots depict some of the flexible aspects of Investran DX's Dynamic Reports:



InvestranDX - IOL Report Page - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Address <https://www.investrandx.com/default.aspx?DN=7933,7932,7929,209,1,Documents&BookID=37&FMOU=OU=10EB79F7-D5AD-4263-BAB5-8F6DF3DCFD9B,OU=Communities>

JPMorgan Private Equity Fund Services

Welcome, Mike Demaio [Technical Support](#) [My InvestranDX](#) | [Log Out](#)

My Communities Home / JPMorgan Private Equity Fund Services / Investran Report Folders / Performance Reports

JPMorgan Private Equi

My Funds Select a Fund

Please select one of the following reports.

Inside Performance Reports

- Deal Summary by Legal Entity
- Exposure by Industry
- Investments & Commitments
- Performance Risk Book Value
- Returns by Geographical Area
- UPC Costs and Values by Deal

Investran Web Services

Dynamic Reports

Document Finder

All Funds
All Categories
All Dates

Go!

Advanced Options >>

Search

My Profile

My Account
My Bookmarks
My Searches

Printer friendly version

Home / JPMorgan Private Equity Fund Services / Investran Report Folders / Performance Reports [Top of Page](#)

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Your session will expire in 29 minute(s)

start M... P... I... G... 3... C... A... 6:51 PM

InvestranDX - IOL Report Parameter Page - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Address <https://www.investrandx.com/default.aspx?DN=7934,7933,7932,7929,209,1,Documents&ReportID=934&BookID=37&FMOU=OU=10EB79F7-D5AD-4263-BAB5-8F6DF3DCFC>

JPMorgan Private Equity Fund Services

Welcome, Mike Demaio [Technical Support](#) [My InvestranDX](#) | [Log Out](#)

My Communities Home / JPMorgan Private Equity Fund Services / Investran Report Folders / Performance Reports / Investments & Commitments

JPMorgan Private Equi

My Funds Select a Fund

Available Report Options

Legal Entity All

Report Format HTML Excel PDF

Submit

Investran Web Services

Dynamic Reports

Document Finder

All Funds
All Categories
All Dates

Go!

Advanced Options >>

Search

My Profile

My Account
My Bookmarks
My Searches

Printer friendly version

Home / JPMorgan Private Equity Fund Services / Investran Report Folders / Performance Reports / Investments & Commitments [Top of Page](#)

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Your session will expire in 29 minute(s)

start M... P... I... G... 3... C... A... 6:51 PM



JPMorgan
Private Equity Fund Services

Welcome, Mike Demaio

<Disabled>
Investments and Commitments

Vintage Year	Deal Name	Cost, Current	Book Value	Market Value	Unfunded Deal Commitment	IRR
1994	Connect Direct III	2,471,167.00	2,471,167.00	2,471,167.00	11,960,799.00	-0.10%
	Flax Capital Partners III L.P.	2,204,897.90	2,204,852.14	2,204,852.14	7,213,663.25	0.72%
	FTI Equity Partners III, L.P.	2,479,029.95	2,479,029.95	2,479,029.95	2,263,459.32	-1.06%
	NPK Southeast Partners III, L.P.	3,995,967.00	3,982,423.00	3,982,423.00	5,874,704.00	-0.65%
	Press Merchant Banking Partners	-572,502.00	-573,020.00	-573,020.00	9,720,683.00	0.01%
	PSV Indocean Fund, L.P.	482,940.00	413,627.00	413,627.00	9,414,165.00	-3.09%
	Rhino Capital Partners II L.P.	2,499,087.00	2,386,912.00	2,386,912.00	90,940,941.00	-0.62%
	Rhino Domestic Partners II L.P.	2,044,922.00	2,044,922.00	2,044,922.00	12,551,055.00	-0.37%

c. AID Investment Management Reporting

- i. All investment management reporting will be provided on a quarterly basis with all designated reports compiled into a printed book with ten (10) copies provided to AID within 70 calendar days of the quarter end dates: March 31st, June 30th, September 30th and December 31st (see sections 1.104VI.c.vi through xx, and 1.104.VI.d.iii through xxi).

Contractor Response to Task:

Confirmed. Assuming receipt of at least 90% of required financial statements, JPMorgan will provide AID’s quarterly investment management reporting the earlier of five (5) business days after receipt of the last financial statement or 70 calendar days after quarter end. Additionally, the reports will be posted electronically to IDX, where all historical reports will also be stored for quick reference. Investment Management reporting will include IRRs based on the actual market values provided by the general partner.

- ii. All investment management reports will also be available in an electronic format via the Web. These reports will be available at all times with the ability to select the appropriate date or date range for the reports.

Contractor Response to Task:

Confirmed. As detailed in our response to the Task described in 1.104V1.b, Investran Report Wizard and Investran Dynamic Reporting will provide AID to run reports on demand with the flexibility to select the appropriate data or date range for the reports.

- iii. All investment management reports will have the ability to choose from active, inactive or all AID partnerships (Active and inactive).

**Contractor Response to Task:**

Confirmed. As detailed in our response to the Task described in 1.104V1.b, Investran Report Wizard and Investran Dynamic Reporting will provide AID to run reports on demand, with the flexibility to choose from active, inactive or both.

- iv. The Contractor must describe and show the methodology for calculating IRRs for individual funds and the portfolio.

Contractor Response to Task:

The individual fund and total portfolio calculations are similar. Each calculation is done independently.

- v. The Contractor must provide a sample of all existing standard reporting packages including the frequency the reports are available.

Contractor Response to Task:

All reports can be available daily, but are typically provided either monthly or quarterly as client requirements dictate.

- vi. Report M1 – Portfolio Summary
 - 1. Fund Name
 - 2. Vintage year
 - 3. Fund Size
 - 4. AID Commitment
 - 5. AID Contributions
 - 6. Recallable Capital
 - 7. Remaining Commitment
 - 8. Distributions
 - 9. AID market value
 - 10. Total Value (MV + Distributions)
 - 11. Return multiple (Total Value / Contributions)
 - 12. Inception-To-Date Net Fund IRR

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date ranges for the reports.

- vii. Report M2 – Vintage Year Summary
 - 1. Vintage year
 - 2. AID Commitments
 - 3. AID Contributions
 - 4. Recallable Capital
 - 5. Remaining Commitment
 - 6. Distributions
 - 7. AID market value
 - 8. Total Value (MV + Distributions)
 - 9. Return multiple (Total Value / Contributions)
 - 10. Inception-To-Date Net Fund IRR

**Contractor Response to Task:**

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- viii. Report M3 – Portfolio By Investment Type
 - 1. Investment Type
 - 2. Investment Sub Type
 - 3. Fund Name
 - 4. Vintage year
 - 5. AID Commitments
 - 6. AID Contributions
 - 7. Recallable Capital
 - 8. Remaining Commitment
 - 9. Distributions
 - 10. AID. market value
 - 11. Total Value (MV + Distributions)
 - 12. Return multiple (Total Value / Contributions)
 - 13. Inception-To-Date Net Fund IRR

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- ix. Report M4 – Portfolio by Analyst
 - 1. Investment Analyst
 - 2. Fund Name
 - 3. Investment Type
 - 4. Vintage year
 - 5. AID Commitments
 - 6. AID Contributions
 - 7. Recallable Capital
 - 8. Remaining Commitment
 - 9. Distributions
 - 10. AID market value
 - 11. Total Value (MV + Distributions)
 - 12. Return multiple (Total Value / Contributions)
 - 13. Inception-To-Date Net Fund IRR

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- x. Report M5 – Investments by Industry
 - 1. Industry/Sector Field
 - 2. Number of Companies
 - 3. Cost
 - 4. Market Value
 - 5. Unrealized Gain / (Loss)
 - 6. Percent of Market Value (line MV / Total MV)

**Contractor Response to Task:**

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- xi. Report M6 – Investments by Region
 - 1. Number of Companies
 - 2. Cost
 - 3. Market Value
 - 4. Unrealized Gain / (Loss)
 - 5. Percent of Market Value (line MV / Total MV)

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- xii. Report M7 – Investment in Michigan
 - 1. Portfolio Company
 - 2. Fund owning investment
 - 3. Industry/sector
 - 4. Cost
 - 5. Market Value
 - 6. Unrealized Gain / (Loss)
 - 7. City Name (data field provided by Contractor and AID will provide data)
 - 8. Number of Michigan Employees (data field provided by Contractor and AID will provide data).

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- xiii. Report M8 – Investment Valuation Summary
 - 1. Portfolio Company Investment Value
 - a. Investments valued above cost
 - b. Investments valued at cost
 - c. Investments valued below cost
 - 2. Number of portfolio company investments
 - 3. Cost
 - 4. Market Value
 - 5. Unrealized Gain / (Loss)
 - 6. Percent of Market Value (line MV / Total MV)

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- xiv. Report M9 – Public/Private Holdings Summary
 - 1. Portfolio Company Status
 - a. Public
 - b. Private
 - 2. Number of Investments



3. Cost
4. Market Value
5. Unrealized Gain / (Loss)
6. Percent of Market Value (line MV / Total MV)

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- xv. Report M10 – Public Company Holdings
 1. Portfolio Company (public companies only)
 2. Ticker
 3. Region
 4. Fund owning investment
 5. Cost
 6. Market Value
 7. Unrealized gain / (Loss)

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- xvi. Report M11 - Cross Holdings Report
 1. Portfolio company investment
 2. Region
 3. Fund owning investment
 4. Cost
 5. Market Value
 6. Unrealized Gain / (Loss)

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- xvii. Report M12 – Stock Distributions (all stock distribution YTD on a calendar basis)
 1. Fund Name
 2. Distribution date
 3. Ticker
 4. Shares
 5. Distribution Price
 6. Distribution Value

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.



xviii. Report M13 – Quarterly and Annual Cash Flow Summary

1. Year
2. Quarter (Calendar)
3. Contributions
4. Other Cash Payments
5. Cash Distributions
6. Stock Distributions
7. Net Cash Flow (3+4-5-6)

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

xix. Report M14 – Fund Reporting Status

1. Date of last report financial statement
2. Number of Funds
3. Cost
4. Market Value
5. Unrealized Gain / (Loss)
6. Percent of Funds Reporting (# of Funds / Total Funds)
7. Percent of Market Value Reporting (line MV / Total MV)

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

xx. Report M15 – Fees and Expenses By Manager

1. Fund
2. Year
3. Fees and Expenses (both inside and outside commitment)

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports. Due to the flexibility within JPMorgan's database, we have the ability to track various transaction types, including but not limited to, partnership expenses that affect commitment, partnership expenses outside of commitment, management fees that affect commitment, and management fees paid outside of commitment.

d. AID Accounting Requirements and Reporting

- i. The Contractor will be responsible for providing monthly pricing of all partnerships. AID will supply cash flows one (1) business day before month end to Contractor. Contractor reconciles cash flows and supplies exception report by last business day of month; additionally, Contractor reconciles book values and supplies exception report by last business day of month. AID or Bureau of Investments, Trust Accounting Division responds to all exceptions within one business day after month end. Contractor provides final pricing two (2) business days after month end. Monthly portfolio pricing is based on the most recent market value provided by the investment managers, adjusted for contribution and distribution activity and financial statement adjustments, through the end of the current month. All public securities will be valued using the same discounts partner discounts, but updated for the current month end price.

**Contractor Response to Task:**

Confirmed. JPMorgan provides monthly pricing of all partnerships. Addition, should the need arise, JPMorgan can also provide daily pricing of all partnerships. We currently provide this service to a number of JPMorgan existing custody clients. The reconciliation process that is outlined by AID is similar to the operational process(es) that exist today for several key client relationships.

- ii. The Contractor must have the ability to reconcile portfolio data with the following groups on a daily, monthly, quarterly and annual basis
 1. Internal Bureau of Investment Accounting
 2. Custodian Bank (State Street)
 3. Investment Managers

Contractor Response to Task:

JPMorgan has extensive experience in performing multi-party reconciliations. JPMorgan will perform the reconciliation's in accordance with the requirements outlined by AID. Wherever possible, JPMorgan would seek AID's support for deploying web based auto reconciliation tools with all parties.

- iii. Report A1 – Investment Cost and Value Summary
 1. Vintage Year
 2. Fund Name
 3. Cost of Underlying companies in Fund
 4. Market Value of underlying companies in Fund
 5. Unrealized Gain / (Loss): (MV – Cost)
 6. Number of underlying companies

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- iv. Report A2 – Quarterly market Value Reconciliation
 1. Beginning Qtr Market Value
 2. + Capital Calls during quarter
 3. - Cash Distributions received
 4. - Stock Distributions received
 5. +/- Market Value Change from prior quarter
 6. +/- Cash balance Change from prior quarter

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- v. Report A3 – Quarterly Outstanding Commitment Reconciliation
 1. Beginning Qtr Outstanding Commitment
 2. + New Commitments added since last quarter
 3. - Capital Calls during quarter
 4. + Recallable Capital Returned
 5. +/- Foreign Exchange translation change from prior quarter
 6. +/- Other Changes or Adjustments

**Contractor Response to Task:**

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports. JPMorgan reconciles the unfunded commitment for each Partnership in the AID portfolio on a quarterly basis.

- vi. Report A4 - Company Asset Summary Private/Public
 - 1. Portfolio Company Status
 - a. Public
 - b. Private
 - 2. Number of Investments
 - 3. Cost
 - 4. Market Value (Companies only)
 - a. Market Value of underlying portfolio companies
 - b. Cash & Cash Equivalents
 - c. Other Market Value
 - d. Total Market Value (a+b+c)
 - 5. Unrealized Gain / (Loss)

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- vii. Report A5 - Adjusted Market Value
 - 1. CRA code
 - 2. Unique fund identifier (Cusip)
 - 3. Fund name
 - 4. Last report date
 - 5. Last market value
 - 6. Cash contributions affecting adjusted market value
 - 7. Cash distributions affecting adjusted market value
 - 8. Adjusted market value

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- viii. Report A6 - Pricing File
 - 1. Unique fund identifier (Cusip)
 - 2. Fund name
 - 3. Month of Valuation
 - 4. Valuation on a per share basis (monthly adjusted market value divided by current book value)

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.



- ix. Report A7 - Investment Valuation Summary
 - 1. Investment Type (defined in section 1.104.III.a.xx)
 - 2. Number of Funds
 - 3. Total Book Value
 - 4. Total Market Value

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- x. Report A8 - Investment Valuation by Investment Type (VC, Buyout, etc)
 - 1. Investment Type (defined in section 1.104.III.a.xx)
 - 2. Sub Investment Type (defined in section 1.104.III.a.xx)
 - 3. AID Commitment Date
 - 4. Portfolio Company Headquarters (State or Country)
 - 5. AID Commitment
 - 6. AID Outstanding Commitment
 - 7. AID Book Value
 - 8. AID Market Value

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- xi. Report A9 - Investment Valuation By CRA Code
 - 1. Unique identifier (Cusip)
 - 2. CRA Code (Sort by CRA code and then Cusip)
 - 3. Portfolio Company Headquarters (State or Country)
 - 4. AID Commitment
 - 5. AID Outstanding Commitment
 - 6. AID Book Value
 - 7. AID Market Value

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- xii. Report A10 - 20D Part I (The Contractor must be able to note which funds are new investments for the quarter, increased or decreased commitments and any funds liquidated during the quarter)
 - 1. Unique identifier (Cusip)
 - 2. Fund Name
 - 3. AID Book Value
 - 4. AID Outstanding Commitment
 - 5. Total (Book Value + Outstanding Commitment)

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.



- xiii. Report A11 - 20D Part II
 - 1. Unique identifier (Cusip)
 - 2. Fund Name
 - 3. AID Book Value
 - 4. AID Market Value

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- xiv. Report A12 - Adjusted Market Value Detail (For specified monthly reporting period)
 - 1. Unique identifier (Cusip)
 - 2. Fund Name
 - 3. Last Reported Value
 - 4. Cash Flows Occurring between Last Reported Value and Adjusted Market Value
 - 5. Adjusted Market Value (for specified time period)

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- xv. Report A13 - Capital Balance Comparison
 - 1. Unique identifier (Cusip)
 - 2. Fund Name
 - 3. Capital balance available date 1 (Choose Date)
 - 4. Capital balance available date 2 (Choose Date)
 - 5. Capital calls between periods
 - 6. Distributions between periods
 - 7. Change in Market Value

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

- xvi. Report A14 – Daily Cash Flow Roll-forward (Report must be e-mailed daily to pre-defined user group)
 - 1. Fund Name
 - 2. Amount of each capital call by day of the week with a summary for the calendar week
 - 3. Amount of each distribution by day of the week with a summary for the calendar week

Contractor Response to Task:

Confirmed. JPMorgan can produce and email this report per AID's requirements.

- xvii. Report A15 – Monthly Memo (Contractor will provide monthly 3 business days after month end)
 - 1. AID dollar amount of aggregate cash distributions for the month
 - 2. AID dollar amount of aggregate gain on cash distributions for the month
 - 3. Top 5 Distributions during month by dollar amount
 - 4. AID dollar amount of aggregate stock distributions for the month
 - 5. AID dollar amount of aggregate gain on stock distributions for the month
 - 6. AID dollar amount of aggregate capital calls for the month



7. Fund Name with new commitments for month
8. Fund Name of liquidated/newly inactive funds for the month

Contractor Response to Task:

Confirmed. JPMorgan can produce and send the above report within 3 business days after month end.

xviii. Report A16 – Fund Investments By AID Commitment Date

1. Unique identifier (Cusip)
2. Fund name
3. Vintage year
4. AID commitment date

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports.

xix. Report A17 – Adjusted Market Value Detail (Ad hoc)

1. Unique identifier (Cusip)
2. Fund Name
3. Capital Balance used at time of audited reporting period
4. Detail of capital calls used to arrive at adjusted market value
5. Detail of distributions used to arrive at adjusted market value
6. Ending valuation (adjusted market value) for audited reporting period

Contractor Response to Task:

Confirmed. JPMorgan can provide the above report as needed.

xx. Report A18 – Foreign Currency Exposure

1. Unique identifier (Cusip)
2. Fund Name
3. Currency name (pounds, yen, etc.)
4. Commitment in base currency
5. Outstanding commitment in base currency
6. Currency conversion rate (Last business day of month)
7. Commitment in USD
8. Outstanding commitment in USD
9. Book Value in USD
10. Market Value in USD

Contractor Response to Task:

Confirmed. Investran Report Wizard and Investran Dynamic Reporting have the ability to produce the above report on demand, with the flexibility to select the appropriate data or date range for the reports. JPMorgan's system allows us to track transactions in a local and base currency. Commitment, Unfunded Commitment, Foreign Currency Rates, Valuations, and Cash Flows can all be reported in both USD and other currency.



- xxi. Report A19 – Detailed Outstanding Commitment (ad hoc – this report needs to be run at the fund level, not the portfolio level)
1. Unique identifier (Cusip)
 2. Fund Name
 3. Commitment amount
 4. Capital calls decreasing commitment
 5. Recallable capital increasing commitment
 6. Recyclable capital increasing commitment
 7. Current outstanding commitment

Contractor Response to Task:

Confirmed. JPMorgan can provide the above report as needed.

VII. Foreign Currency Module

- a. AID has substantial investments in non-U.S. dollar denominated investments. The Contractor must provide the ability track non-U.S. dollar investments in their base currency and be translated to U.S. dollars for reporting purposes. The base currencies should be translated to U.S. dollars using at least monthly exchange rates, but preferably daily. The AID will have to agree with the Contractor on the source of exchange rates used and the source will have to be consistent. Describe sources of exchange rates available.

Contractor Response to Task:

JPMorgan's system has full multi-currency capability. During the investment setup process, the local currency of the fund will be verified and established in the database.

The exchange rate used for the actual transaction is used to convert the transactional information to the base currency. JPMorgan's system has an easy to use toggle feature that allows the client to view their local and base financial data with a single mouse click. This will allow the client to monitor all their investment activity in both the local and base currency with little intervention.

JPMorgan will update the FX rates daily using the London 4PM close as its source. In the event that AID prefers a different source for its exchange rates, JPMorgan can modify its process and use an exchange rate acceptable to AID.

Please refer to the following screen shot of our system's multi-currency entry transaction report and note base & local values are included for each transaction.



Deal Name	Deal Currency	Effective Date	Trans Type	Amount Base	Amount Local		
BC European Capital VI	EUR	5/20/2004	Interest Income	72,959.95	60,787.80		
			Return of Capital - Cash Distribution from Investment	253,200.47	210,958.20		
		6/2/2004	Realized Gain - Cash Distribution from Investment	2,251,486.69	1,853,800.20		
			Return of Capital - Cash Distribution from Investment	99,594.21	82,002.60		
Subtotal: BC European Capital VI			2,677,241.32	2,207,548.80			
BC European Capital VII Top-Up-2	EUR	3/30/2004	Purchase	-152,447.40	-126,000.00		
		5/14/2004	Realized Gain - Cash Distribution from Investment	36,977.23	31,317.40		
			Return of Capital - Cash Distribution from Investment	51,934.90	43,985.60		
		5/20/2004	Interest Income	8,410.32	7,007.20		
BC European Capital VII-1	EUR	5/20/2004	Return of Capital - Cash Distribution from Investment	120,213.40	100,157.80		
		6/24/2004	Purchase	-33,885.60	-33,885.60		
				31,202.85	22,582.40		
		3/30/2004	Purchase	-1,705,959.00	-1,410,000.00		
Candover 1994 Fund UK No. 1, L.P.	GBP	5/14/2004	Realized Gain - Cash Distribution from Investment	480,173.70	406,677.00		
			Return of Capital - Cash Distribution from Investment	560,637.75	474,825.00		
		5/20/2004	Interest Income	90,788.55	75,642.00		
		6/24/2004	Return of Capital - Cash Distribution from Investment	1,297,706.69	1,081,206.00		
Subtotal: Candover 1994 Fund UK No. 1, L.P.			3,907,600.23	2,140,824.00			
Candover 1997 Fund US No. 1, L.P.	GBP	1/21/2004	Realized Gain - Cash Distribution from Investment	46,679.80	25,903.00		
			Return of Capital - Cash Distribution from Investment	127,123.73	70,542.00		
		3/19/2004	Realized Gain - Cash Distribution from Investment	1,877,912.65	1,035,804.00		
			Return of Capital - Cash Distribution from Investment	50,455.79	27,830.00		
		3/31/2004	Realized Loss - Cash Distribution from Investment	-0.49	-0.49		
			Return of Capital - Cash Distribution from Investment	0.49	0.49		
		4/2/2004	Interest Income	22,557.48	12,414.00		
		4/5/2004	Interest Income	1,221,022.98	663,852.00		
			Realized Gain - Cash Distribution from Investment	589,306.21	320,397.00		
			Return of Capital - Cash Distribution from Investment	2,545,370.48	1,383,880.00		
		4/16/2004	Management Fees	-25.00	-25.00		
			Realized Gain - Cash Distribution from Investment	2,571,989.00	1,402,547.00		
Candover 1997 Fund US No. 2, L.P.	GBP		Return of Capital - Cash Distribution from Investment	6,842.00	3,731.00		
		5/14/2004	Interest Income	54,204.21	30,868.00		
		6/7/2004	Return of Capital - Cash Distribution from Investment	2,865,331.19	1,558,092.00		
		6/11/2004	Interest Income	1,209,924.07	657,925.00		
			Realized Loss - Cash Distribution from Investment	-1,775,149.92	-965,280.00		
		6/21/2004	Realized Gain - Cash Distribution from Investment	734,190.49	401,220.15		
		Subtotal: Candover 1997 Fund US No. 2, L.P.			12,147,735.16	6,629,700.15	
		Candover 2001 Fund US No. 2, L.P.	EUR	1/20/2004	Purchase	-223,344.00	-180,000.00
				1/21/2004	Return of Capital - Cash Distribution from Investment	241,406.88	194,557.45
					Return of Excess	361,281.26	291,168.00
				3/23/2004	Purchase	-102,718.17	-83,018.00
				3/31/2004	Return of Capital - Cash Distribution from Investment	0.10	0.10
	Return of Excess			0.10	0.10		
4/2/2004	Interest Income			50,568.66	41,659.00		
4/23/2004	Purchase			-293,895.93	-247,533.00		
6/3/2004	Purchase			-199,730.70	-163,419.00		
6/20/2004	Management Fees			23.07	23.07		

b. The Contractor will be required to calculate a fund and portfolio performance in both local currency and U.S. dollars.

Contractor Response to Task:

Confirmed. JPMorgan will calculate fund and portfolio composite performance in both local and U.S. dollars.

Kindly refer to the following screenshot which provides an limited sample of the following data elements available for reporting:

- Total Commitment – Local & Base currency
- Unfunded Commitment – Local & Base currency
- Fund Valuation – Local & Base currency
- IRR – Local & Base currency



Investran Report Wizard 4.4.2 - GENERAL DEMO\12 - International Data Analysis - EURO *

Report View Tools Data Export Help

Data-Item	Filter-Value	Time-Period	Sort-Order	Subt...	Hid...	Format	Heading	Currency	Performance
Deal Currency	= EUR; SKIP NULLS			<input checked="" type="checkbox"/>	<input type="checkbox"/>				
Deal Name				<input type="checkbox"/>	<input type="checkbox"/>				
Total Commitment				Sum	<input type="checkbox"/>		Total Com...	From <Legal Entity>	
Unfunded Deal Co...	LTD: Effective Date ...			Sum	<input type="checkbox"/>	[User-Defin...	Unfunded ...	From <Legal Entity>	
Market Value	#Effective Date#			Sum	<input type="checkbox"/>	[User-Defin...	Valuation B...	From <Legal Entity>	[Monthly, Sequential[
IRR @ MV	LTD: Effective Date ...			Sum	<input checked="" type="checkbox"/>	[User-Defin...	LTIRR Base...	From <Legal Entity>	[Daily, Sequential[
IRR @ MV	LTD: Effective Date ...			<input checked="" type="checkbox"/>	<input type="checkbox"/>	[User-Defin...	LTIRR Loca...	From <Local> To ...	[Daily, Sequential[

Deal Currency	Deal Name	Total Commitment Local as of 6/30/2004	Total Commitment Base as of 6/30/2004	Unfunded Deal Commitment Base as of 6/30/2004	Unfunded Deal Commitment Local as of 6/30/2004	Valuation Base as of 6/30/2004	Valuation Local as of 6/30/2004	LTIRR Base as of 6/30/2004	LTIRR Local as of 6/30/2004
EUR	BC European Capital VI	18,000,000.00	21,828,771.98	4,486,336	3,687,454	10,620,303	8,729,146	15.85%	12.75%
	BC European Capital VII Top-Up-2	2,000,000.00	2,417,822.34	651,933	535,843	1,069,218	878,822	13.90%	0.74%
	BC European Capital VII-1	30,000,000.00	36,344,709.59	9,419,502	7,742,171	18,797,317	15,450,079	8.99%	0.11%
	Candover 2001 Fund US No. 2, L.P.	36,000,000.00	43,640,179.91	11,659,438	9,583,242	18,740,032	15,402,994	1.65%	-8.55%
Subtotal: EUR		86,000,000.00	104,231,483.82	26,217,209	21,548,710	49,226,870	40,461,041	11.37%	4.62%
Grand Total(s):		86,000,000.00	104,231,483.82	26,217,209	21,548,710	49,226,870	40,461,041	11.37%	4.62%

Ready [ATM]

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- c. The Contractor must have a foreign exchange module that works and interacts with other data fields.

Contractor Response to Task:

The foreign exchange module is fully integrated with the core accounting and reporting applications (Report Wizard, Dynamic Reports). There is complete integration and data control between the various applications. The currency indicator is a required data field for all partnerships and portfolio companies, where by users must post both the local and base currencies.

VIII. Training

- a. The Contractor is responsible for training all appropriate AID staff. The Contractor must be willing to be available for one (1) on-site training session each year for AID staff not to exceed one (1) business day.

Contractor Response to Task:

Confirmed. As detailed in Article 1, Attachment C, JPMorgan will train all appropriate AID staff. In addition to the annual on-site training requirement, JPMorgan will also be available to provide training at its offices, if desired, as well as be available for remote web-based training.

- b. The Contractor must have a training process for new employees assigned to this Contract (new or transferred).

**Contractor Response to Task:**

As indicated in our response to Article 1.B202, JPMorgan has proposed staffing this project with individuals possessing extensive experience in projects very similar to those described in this RFP. For any new or transferred employees assigned to this contract, in addition to manager led training on use of the PEFS systems and applications, each new employee assigned to this contract will spend a minimum of three months “shadowing” another Account Analyst or the Account Manager assigned to AID. As the new employee demonstrates satisfactory efficiency and accuracy with their specific areas of responsibilities, they will begin to work independently, subject to supervisory and other quality control processes.

Kindly see our response to Article 1B.202 for additional information on broader training and development opportunities JPMorgan offers its staff.

Private Equity Reporting - Optional Categories**IX. Benchmarks**

- a. The Contractor may provide benchmark information using Cambridge or Venture Economics data.

Contractor Response to Task:

JPMorgan is currently negotiating to independently subscribe to benchmark data from Venture Economics and make available as a standard option to clients. Cambridge is not currently offering its benchmark data to JPMorgan on a direct subscription basis, however, JPMorgan can incorporate into its reporting data from Cambridge (as well as other benchmark providers) as provided to JPMorgan by its clients who independently subscribe to receive this data. In addition, JPMorgan can also support client provided custom benchmarks.

- b. The Contractor may provide their own benchmark, including the source of the data and the basic methodology. The benchmark may include an explanation of the number of funds included in the pool (VC vs. Buyout), the dollar amount of funds included in the pool (VC vs. Buyout), and whether or not Contractor separates pools by geography (US, Europe, Asia, etc.).

Contractor Response to Task:

JPMorgan does not currently produce its own benchmark; however, we are currently in active discussions with a several firms specializing in producing a number of benchmarking tools.

X. Processing Capital Calls & Distributions

- a. The Contractor may provide full back office support including processing capital calls and distributions memos for approval, please submit a separate price proposal on the cost of this service (see Article 1, Attachment A). Provide a sample of a capital call approval request that Contractor would use.

Contractor Response to Task:

Confirmed. With the exception of sending approved value bearing instructions to AID’s custodian, JPMorgan can provide full back office support for capital calls and distributions.

- b. The Contractor may use controls, such as auditing and validating the capital call amount, etc.

Contractor Response to Task:

As a leading provider of outsourced fund administration services to sponsors of private equity funds, JPMorgan is responsible for prepares the capital call and distribution notices for general partners to send to their limited partners. Preparing these notices, requires an in depth understand of the partnership agreement, including administering complex waterfall and carried interest calculations, As such JPMorgan is uniquely qualified to leverage this same expertise in support of Michigan’s back office needs related to auditing and validating capital call and distribution notices. We would welcome the opportunity to further discuss in detail our expertise in supporting Michigan’s back office.



- XI. AID would also like to receive time weighted rates of return on the portfolio if possible. The desired periods are as follows:
- a. Current quarter
 - b. One-year
 - c. Three-year
 - d. Five-year
 - e. Ten- year
 - f. Inception to date.

Contractor Response to Task:

Confirmed. JPMorgan standard offering includes the provision of time weighted returns in the periods specified above at no additional cost to AID.

- XII. AID also has an interest in any forecasting tools such as:
- a. Forecasting performance for the quarter, one-year, three-year, five-year, ten-year based on information received so far and adjusted for capital calls & distributions since the last report.

Contractor Response to Task:

As discussed above, JPMorgan is currently in discussions with a firm who has developed various private equity performance, risk and cash flow projection tools to conduct the type of analysis indicated above. We have future scheduled working sessions with this firm and would be pleased to report our progress to AID and, when appropriate, provide a separate quote for this additional service.

- b. Forecasting cash flows based on historical capital calls and distribution patterns applied to the current portfolio.

Contractor Response to Task:

As discussed above, JPMorgan is currently in discussions with a firm who has developed various private equity performance, risk and cash flow projection tools to conduct the type of analysis indicated above. We future scheduled working sessions with this firm and would be pleased to report our progress to AID and, when appropriate, provide a separate quote for this additional service.

1.2 Roles and Responsibilities

1.201 CONTRACTOR STAFF, ROLES, AND RESPONSIBILITIES

Contractor must provide an account manager to act as a central point of contact for all contractual activities. Identify Contractor staff who will be involved, identify by name the individuals, and describe in detail their roles and responsibilities. Descriptions of roles should be functional and not just by title. Include an organization chart in Article 1, Attachment B. The organization chart must also include all staff involved in supporting and marketing the proposed product/service.



Contractor Response to Task:

JPMorgan is proud to staff this engagement with individuals possessing not only the required subject matter expertise and experience relevant to this project, but also exception client service skills. Each one of the individuals listed below will strive to exceed Michigan AID’s expectations, in a professional and expeditious manner.

The proposed Michigan AID Client Team is as follows:

Name	Title	Function	Responsibility
Sandra Ribeiro	Vice President	Senior Account Manager & Lead Onboarding Manager	Oversees all aspects of conversion from prior provider(s), and coordinates all project resources in account management, technology and outside vendors, where required. Accountable for ensuring on-time completion of conversion. Principal client contact for several key client, instituting best practices where possible. Daily supervision of the Account Analyst(s) assigned to the client, including review and approval of daily work and all reporting deliverables. Ensures all reporting, service and other deliverables are met in accordance with Service Level Agreement. Schedules and lead periodic client reviews. Partners with Product Management to ensure any new services or reporting needs are delivered in an expeditious manner.
Michael De Maio	Vice President	Onboarding Advisor& Product Manager	Advises and assists Onboarding Team with conversion planning and execution, ensuring historical data conversion and any other product development or enhancements are managed. As Product Manager, sets the strategic direction of the product offering, makes investment decision with respect to product development and/or enhancement and is a key decision maker on all key product initiatives.
Amy Newlan	Assistant Vice President	Onboarding Team Member	Assists Lead Onboarding Manager with initial conversion of historical data, including reconciliations, as well managing other aspect of conversion related client reporting requirements.
Jason Almeida	Officer	Account Analyst	Daily responsibility for managing all data capture, validation and upload into JPMorgan systems of all required data, including cash flow, non-cash flow and other partnership information. Analysts are responsible for a specific set of partnerships, typically assigned alphabetically. They are also given opportunity to work on product enhancement projects to further develop their expertise.
Jamie Hausman	Officer	Account Analyst	Daily responsibility for managing all data capture, validation and upload into JPMorgan systems of all required data, including cash flow, non-cash flow and other partnership information. Analysts are responsible for a specific set of partnerships, typically assigned alphabetically. They are also given opportunity to work on product enhancement projects to further develop their expertise.

1.202 STATE STAFF, ROLES, AND RESPONSIBILITIES

1. Contract Compliance Inspector: Kevin Fedewa (see section 2.015)
2. Alternative Investments Division: Seven (7) investment professionals and three (3) support personnel to provide project assistance
3. Trust Accounting Division: Staff to provide assistance for accounting reports and reconciliation of data.

1.203 OTHER ROLES AND RESPONSIBILITIES

1. Investment Managers/General Partners: Contractor will collect cash flow/non-cash flow and financial statement data from these entities
2. Custodian Contractor: Contractor will need to work with the State’s Custodian Contractor (State Street Bank and Trust) for reconciliation of data.



1.3 Project Plan

1.301 PROJECT PLAN MANAGEMENT

1. The Contractor will carry out this project under the direction and control of the Contract Compliance Inspector.
2. Although there will be continuous liaison with the Contractor team, the Contract Compliance Inspector will meet monthly at minimum, or as requested by the Contract Compliance Inspector, with the Contractor's project manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.
3. Within five (5) working days of the award of the Contract, the Contractor will submit to the Contract Compliance Inspector for final approval a work plan. This final implementation plan must be in agreement with Article 1, Attachment C as proposed by the Contractor and accepted by the State for Contract, and must include the following:
 - a. The Contractor's project organizational structure.
 - b. The Contractor's staffing table with names and title of personnel assigned to the project. This must be in agreement with staffing of accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the State.
 - c. The project breakdown showing sub-projects, activities and tasks, and resources required and allocated to each.

Contractor Response to Task:

Confirmed.

1.302 REPORTS

The Contractor will submit brief written monthly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the Contract Compliance Inspector; and notification of any significant deviation from previously agreed-upon work plans. A copy of this report will be forwarded to the named buyer in Purchasing Operations.

Draft preliminary reports shall be done as each task/deliverable is completed. A final report shall be generated 30 days after the Contract Compliance Inspector has reviewed all preliminary reports. The specific due dates will be negotiated between Investment Contractor and the Contract Compliance Inspector.

1.4 Project Management

1.401 ISSUE MANAGEMENT

The Contractor will provide a plan for how issues will be addressed when they arise and how appropriate parties will be apprised of progress.

Contractor Response to Task:

AID's Account Manager, Sandra Ribeiro, is accountable for managing all issues to resolution, including escalation to AID and JPMorgan senior management when necessary.

Client Service Exchange, our common inquiry management platform across all of T&SS, allows JPMorgan professionals to log all inquiries received from clients. None of our competitors currently have an inquiry system as efficient; therefore Client Service Exchange is a market differentiator.

The inquiry management system establishes a single point of contact for inquiries and channels/routes inquiries to all areas of the bank. Client Service Exchange presents account managers and analysts with a platform that enables them to research and resolve inquiries to predetermined standards of responsiveness.



- Most inquiries are responded to during the initial call or within one hour of receipt
- Requests for information are responded to within one to four hours
- Problem resolution is performed within 24 hours
- Requests for change are processed within 48 hours
- Detailed consultative questions regarding processes and controls are responded to within 72 hours.

Multidimensional reporting enables service managers to conduct and review a root cause analysis on inquiries and errors and take appropriate steps to enhance processing procedures and improve product delivery features. Our objective is to reduce the number of inquiries and minimize the chance of issue reoccurrence, to further improve service.

Client Service Exchange also monitors our ability to respond and reply on a timely and accurate basis.

Long-term Inquiries

On a monthly basis, all inquiries are automatically fed into JPMorgan's Managing Service Excellence system. Managers use this system, which is built on relational database technology, to analyze the trends indicated by the inquiries received and to identify potential operations or service problems. The Managing Service Excellence system allows an account administrator to quickly analyze client inquiries and other service indicators by the customer, investment manager, country, and transaction type, for a specific period of time.

1.402 RISK MANAGEMENT

Risk management generally involves (1) identification of the risk, (2) assigning a level of priority based on the probability of occurrence and impact to the project, (3) definition of mitigation strategies, and (4) monitoring of risk and mitigation strategy. Risk assessment review should be conducted on a regular basis.

Contractor Response to Task:

Operational risk management is considered a principal risk discipline within JPMorgan firm, along with market risk and credit risk. Primary responsibility for managing operational risk rests with business managers. These individuals, with the support of their staffs, are responsible for establishing and maintaining internal control procedures that are appropriate for their particular operating environments. Finance, audit and other key support functions also play key roles in reviewing and maintaining the integrity of the control environment. In early 2001, all businesses and support groups undertook a series of specific initiatives to create an integrated, firm-wide operational risk framework that emphasizes active management of operational risk. These initiatives, some of which are still in progress, have led to:

- A robust self assessment process conducted on firm-wide basis streamlined through the use of a JPMorgan web-based application
- The collection of operational loss data by business and risk type leading a casual analysis capability
- Newly designed methodologies to calibrate operational risk and assign capital on the basis of this measurement; a risk-based framework for capital measurement and allocation based on specific business metrics and loss experience provides direct incentives for proactive management of these risks.

The primary objective of this framework is to create a best practices environment where we continually enhance our understanding, measurement and management of operational risk throughout the firm. Our goal is to maintain the highest standard of client service quality, lower our capital requirements and improve our financial performance. These efforts are completely consistent with the new regulatory initiatives for operational risk management. We are confident that the we will be in full compliance with the proposed regulatory standards outlined in the Sound Practices for the Management of Operational Risk and will qualify for the Advanced Measurement Approach under the new Basel capital guidelines for this risk category.

In addition, these same control procedures are validated on a semi-annual basis by JPMorgan's internal audit group.



1.403 CHANGE MANAGEMENT

If a proposed contract change is approved by the Contract Compliance Inspector, the Contract Compliance Inspector will submit a Contract Change Request to the Department of Treasury, Purchasing Division, and it will be forwarded to the Department of Management and Budget, Purchasing Operations Buyer, who will make recommendations to the Director of Purchasing Operations regarding ultimate approval/disapproval of change request. If the DMB Purchasing Operations Director agrees with the proposed modification, and all required approvals are obtained (including State Administrative Board), the Purchasing Operations Buyer will issue an addendum to the Contract, via a Contract Change Notice.

Vendors who provide products or services prior to the issuance of a Contract Change Notice by the DMB Purchasing Operations, risk non-payment for the out-of-scope/pricing products and/or services.

1.5 Acceptance

1.501 CRITERIA

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

A. Performance and Reliability Evaluation (PARE)

The Performance and Reliability Evaluation will consist of three (3) phases.

1. PHASE 1 – Specifications Compliance Review

- a. The first phase shall be comprised of a compliance review of the specifications for the historical data load, reports, program code, and database listed in the Contract. This review will ensure all items are in compliance with the required specifications for the Contract. In the event Treasury determines that any component or feature of the system does not comply with the mandatory specifications of the Contract, Treasury reserves the right to cancel the contract.

2. PHASE 2 – Acceptance Test

- a. The Contract Compliance Inspector will evaluate the system's performance based on the reports produced. The Contract Compliance Inspector will determine that the system is fully operational when all of the requirements listed in the Contract are met. It will be the Contract Compliance Inspector's responsibility to determine that the system is fully operational.

3. PHASE 3 – Post Implementation

- a. The performance period for Phase 3 is a period of 45 consecutive calendar days. The performance period shall commence when the historical data load is complete and the system is fully operational.

During the performance period for Phase 3 there shall be no more than three (3) interruptions.
During the performance period for Phase 3 there shall be no individual interruption that lasts longer than four (4) hours.

An interruption is defined as failure in the Contractor-supplied system or database, which results in work stoppage.

Work stoppages resulting from network downtime, Treasury-supplied equipment failure or Treasury-supplied software malfunctions shall not be included in the performance period.

1.502 FINAL ACCEPTANCE

Final Acceptance will be completed 45 days after Phase 3 of the PARE in section 1.501. During Final Acceptance, there shall be no more than three (3) interruptions. During Final Acceptance there shall be no individual interruption that lasts longer than four (4) hours (see 1.501.A.3 for definition of interruption). Upon completion of Final Acceptance, the Contract Compliance Inspector will provide written acceptance of the system.



1.6 Compensation and Payment

1.601 COMPENSATION AND PAYMENT

This is a firm, fixed price Contract. See Article 1, Attachment A for pricing. Pricing is based on a monthly cost per active fund/partnership Payment/invoicing for this Contract will occur monthly (see section 2.092).

1.7 Additional Terms and Conditions Specific to this SOW

1.701 ADDITIONAL TERMS AND CONDITIONS SPECIFIC TO THIS SOW

(See Next page)



**ITB #071I7200015 (Alternative Investments Portfolio RFP)
JPMorgan Clarifications #1**

1. Reconciling all data includes outstanding/remaining commitment. Please describe your process to reconcile this data (section 1.104.I.c.v, page A.10):
 - a. include in process whether it is a manual comparison your systems outstanding commitment with the GP's reported outstanding commitment or if GP's outstanding commitment is logged.
 - b. please include in the process description how discrepancies are resolved.
 - c. is a list provided of all GP's who do not report an outstanding commitment?
 - d. please provide a sample report showing an investments outstanding commitment and how it is arrived at (Report A19).

JP Morgan's Response:

JPMorgan reconciles the outstanding/remaining commitment on a quarterly basis.

a. On a quarterly basis, a system generated report is run to extract the commitment, capital calls, distributions and unfunded commitment. This report is reconciled against each fund's financial statement/capital account. The statement as well as the reconciliation report is maintained in Investran DX for subsequent retrieval. Please refer to attached **Exhibit I** for sample of such a reconciliation report. Additionally, JPMorgan would recommend utilizing the annual GP data validation process (using the automated eForm we discussed in our proposal) to request that GP's validate the year ending unfunded commitment as calculated by JPMorgan.

b. JPMorgan will initially contact the general partner to attempt to resolve any discrepancy. Should a previous transaction need to be reclassified, JPMorgan will request back up from the general partner before processing the correcting entry. All correcting entries will be processed to preserve a complete audit trail of the activity. JPMorgan would not typically need to involve AID unless the discrepancy cannot first be resolved with the GP.

c. Yes, JPMorgan will provide a list of any GP who does not reporting outstanding commitment at least on a quarterly basis.

d. Please see **Exhibit II** for sample report A19. An investments outstanding commitment is automatically calculated by the system as follows: Commitment Amount - Purchases - Management Fees (affect commitment) - Expenses (affect commitment) + Temporary Return of Capital = Outstanding Commitment.

2. What electronic formats are acceptable for data from existing contractor (section 1.104.I.d.i, page A.11)?

JP Morgan's Response:

JPMorgan prefers Excel as our data conversion /upload application is Excel based. In the event that Excel is not available, JPMorgan can accept CSV or other file format that can readily be converted to Excel.

3. Historical Data to be reconciled will come from AID and current contractor (section 1.104.I.d.ii, page A.11). Please confirm.

JP Morgan's Response:

Confirmed. JPMorgan will reconcile Historical Data provided by both AID and current Contractor.



4. How would a fund of fund investment be handled/processed? The State assumes the underlying partnerships would be loaded as the actual portfolio companies, since the fund of fund will be investing in funds rather than companies. If the State were able to get the Fund of Funds to provide an electronic version of aggregate portfolio company information from the underlying funds, could your organization store both the fund investments and the portfolio companies in the underlying funds?

JP Morgan's Response:

The State's assumption is correct. The actual underlying partnership would be loaded as if they were actual portfolio companies. In the event an electronic version of the aggregate portfolio information can be obtained by the State, JPMorgan can store and report on both underlying funds as well as the portfolio companies of the funds.

5. Is there a process established to calculate AID current book value of partnership (section 1.104.III.a.xviii, pages A.17-19)? If not, would your organization be able to calculate for each fund as follows:
- a. Book Value Calculation = Capital Calls + Partnership Expenses (if included in commitment) - Return of Capital (Permanent & Temporary) + Financial Statement Adjustments (as supplied electronically each month by SMRS Trust Accounting Division).

JP Morgan's Response:

JPMorgan's can calculate Book Value per the above calculation. A new transaction type to track the Financial Statement Adjustments as supplied by SMRS Trust Accounting Division will be created in our system to facilitate this calculation.

6. Can anything be provided for original cost of portfolio companies (section 1.104.IV.b, page A.21)?

JP Morgan's Response:

Yes, provided the historical cost information at the portfolio company level is provided by AID or its current contractor, JPMorgan can store this information in its system and maintain this information on a prospective basis. If historical data is not available, the original cost maintained on JPMorgan's systems would be the cost as reported in the first financial statement period JPMorgan assumed responsibility for this service.

7. Data reconciled monthly (section 1.104.V.g, page A.24) will be compared with SMRS Trust Accounting Division and include: Transactions Components (cost, income, gain, management fees, partnership expenses, capital), Total Book Value for each fund, ARV for each fund. Please Confirm.

JP Morgan's Response:

Confirmed. JPMorgan can complete the above reconciliation process.

8. What private equity market data is available quarterly (section 1.104.VI.a, page A.30)?

JP Morgan's Response:

JPMorgan Private Equity Fund Services does not currently publish private equity market data to its clients. We do subscribe to a number of Dow Jones and Thomas Financial Venture Economics publications and would be pleased to provide a quarterly summary of key themes, issues and news to the State. Should the State have any specific market data reporting requirements JPMorgan would welcome the opportunity to review these specifications in detail in order to further amplify this response.

9. AID Investment Management Reports will be based on General Partner reported value for specified quarter and will be due within 90 days, 110 days or as mutually agreed upon with Contract Compliance Inspector or designee (section 1.104.VI.c.i, page A.35). Please confirm.



JP Morgan's Response:

Confirmed. JPMorgan can meet the above reporting deadline requirement.

10. Is the source for fees/expenses from financial statements or cash flows (section 1.104.VI.c.xx, page A.42)? If from cash flows, how are non-cash fees/expenses accounted?

JP Morgan's Response:

The source for fees/expenses is from the cash flow directives. Non-cash fees/expenses are obtained from the quarterly financial statements, where available. While JPMorgan can track the non-cash fees/expenses quarterly if the information is reported by GP in the financial statements, our experience has that many GPs we interact do not provide this data in their quarterly financial statements. JPMorgan would welcome to the opportunity to discuss with AID alternative approaches to capturing this non-cash fees/expenses, including leveraging the annual GP data validation process.

11. Reports are due for the following time frames:

- a. Daily: Report A14 – Daily Cash Flow Roll-forward (section 1.104.VI.d.xvi, page A.48)
- b. On Request: A12 – Adjusted Market Value Detail (For specified monthly reporting, section 1.104.VI.d.xiv, page A.47), A17 – Adjusted Market Value Detail (ad hoc, section 1.104.VI.d.xix, page A.49) and A19 – Detailed Outstanding Commitment (ad hoc, section 1.104.VI.d.xxi, page A.50)
- c. Monthly (within 3 business days after the month closing): Reports A5, A6, A7, A8, A9, A13 and A15 (sections 1.104.VI.d.vii through xi, xv and xvii, pages A.45-49)
- d. Quarterly (within 10 business days after the quarter closing): A1, A2, A3, A4, A5, A8, A9, A10, A11, A13, A18, M3, M6, M13, M14 (sections 1.104.VI.d.iii through vii, x through xiii, xv, xx, and 1.104.VI.c.viii, xi, xviii and xix; pages A.38-50).

Please confirm the reports can be provided for the above timeframes.

JP Morgan's Response:

Confirmed. The reports can be provided within the above timeframes.

12. Please confirm the following relationships between values used in reports: Report A4 – Company Asset Summary Private/Public (section 1.104.VI.d.vi, page A.45) would be similar to a Balance Sheet Summary for the SMRS AID Portfolio using the most recent available capital balances for all funds at the time of pricing. This amount will also be the starting point for the Adjusted Reported Value in Report A5 – Adjusted Market Value (section 1.104.VI.d.vii, page A.45). All reports listed as Quarterly in this section (1.104.VI.d with the exception of Reports M13 and M14) should match to either Total Portfolio Company Market Value in Report A4, Total Reported Value in A5, or Adjusted Reported Value in A5.

JP Morgan's Response:

Confirmed. JPMorgan understands the relationship between the values used in the reports listed above and will ensure the values agree across the above referenced reports.

13. Please provide examples of the following Foreign Currency Reports and include any descriptive detail if necessary:
- a. Outstanding Commitment Detail for a foreign currency committed fund showing base currency commitment and how the current commitment in US Dollars is arrived at.
 - b. Detail Report how Foreign Currency analysis in Reports [A3 – Quarterly Commitment Reconciliation] is arrived at, reconciled or confirmed.
 - c. Any other relevant Foreign Currency Analysis Reports.



JP Morgan's Response:

Please refer to attached **Exhibit III** in response to reports above.

- a) Please see report labeled "Commitment (details)" which provides commitment figures in both local and base currency. JPMorgan can also track the original commitment translated to USD at the time the original commitment was made.
- b) JPMorgan tracks all non-USD fund investments in local currency and reconciles and confirms all remaining commitments in local currency terms against the financial statement and capital accounts. For reporting purpose [A3 – Quarterly Commitment Reconciliation], JPMorgan would included both the local and USD (base) for foreign currency commitments.
- c) Please refer to "Performance" and "Historical Cash Flows" sample reports, attached as **Exhibit III**.

14. When a fund is non-US dollar denominated, does your organization track the translation at the actual foreign currency rate paid or London daily rate (section 1.104.VII.a, page A.50)?

JP Morgan's Response:

For a non-US dollar denominated fund, JPMorgan tracks the translation of a cash flow (contribution or distribution) at the actual foreign currency rate for the cash flow. For example, if a capital call was issued for 1,000 Euro, JPMorgan would post the Euro amount and the actual USD amount for that specific transaction. JPMorgan obtains this information from either AID or its custodian bank during the cash flow reconciliation process.

15. When US dollar translated, is your organization using the daily rate or month-end rate for capital balance (section 1.104.VII.a, page A.50)?

JP Morgan's Response:

When JPMorgan receives a capital account balance or fund financial statements in a non-US dollar currency, JPMorgan uses the month-end rate corresponding to that financial reporting period to translate the foreign currency to USD; both local and base amounts are maintained in JPMorgan's system.

16. Is the cost of Venture Economics included in the Pricing (sections 1.104.IX and Article 1, Attachment A; pages A.54 and 62)?

JP Morgan's Response:

JPMorgan will incorporate benchmark data from Venture Economics into the quarterly AID Investment Management Reports. The cost for this service is included in the "Monthly Cost per Active Fund/Partnership" component of our pricing proposal.

17. Based on the Forecasting Tool discussion (section 1.104.XII, page A.55) at the presentation on December 20, 2006, please confirm JP Morgan can provide the requested services and the cost is included in the proposal.

JP Morgan's Response:

Based on the discussion at the presentation on December 20, 2006, JPMorgan wishes to clarify its original response to section 1.104 XII A. 55 as follows:

"XII. AID also has an interest in any forecasting tools such as:

- a) Forecasting performance for the quarter, one-year, three-year, five-year, ten-year based on information received so far and adjusted for capital calls & distributions since the last report."



As JPMorgan intends to process all capital and/or distribution activity not later than one (1) business after receipt, AID will have the ability to run the above "horizon" or "point to point" IRR or TWR on a dynamic basis at any point in time. For sake of clarity, should the AID wish to run the above report as close of business, December 22, 2006, the return calculation would include any capital call and/or distributions received as of close of business, December 20, 2006. The cost of this report is included in is included in the "Monthly Cost per Active Fund/Partnership" component our pricing proposal.

- b) Forecasting cash flows based on historical capital calls and distribution patterns applied to the current portfolio.

Once the exact calculation methodology is determined and agreed upon, we can develop an automated report that will forecast cash flows for the State's current portfolio based on its historical capital calls and distribution patterns. The cost for the initial development of the report, and any subsequent changes required, would be billed as a consulting service at the fee of \$250 per hour. Once developed, there are no additional recurring costs for this report.

18. Please confirm Venture Economics will be integrated with the Forecasting Tool per the December 20, 2006 presentation.

JP Morgan's Response:

JPMorgan has strong history of developing new reporting and service requirements to meet the needs of its existing client base, however, we are not presently in a position to confirm that Venture Economics can be integrated with the cash flow forecasting reporting referenced in part b) of the above question without further requirement scoping and analysis. While JPMorgan is familiar with the Cash Flow module of Venture Economics, we have not had the opportunity to evaluate potential integration opportunities for the purposes desired by the State.

JPMorgan can commit to work in good faith to scope the requirements and effort to incorporate data from Venture Economics into a cash flow forecasting report and provide the State an estimate of the ongoing cost, if any, after such analysis has been completed.

19. Please clarify how your organization is defining an "Active Fund/Partnership" (Article 1, Attachment A),
- Will your organization consider any fund that exceeds its 10th year as an inactive fund (Liquidating Fund)?
 - Will JP Morgan consider a lower cost for Liquidating Funds verse Active Funds?

JP Morgan's Response:

JPMorgan defines an "Active Fund/Partnership" as a fund that either has not issued its final distribution nor can be classified as a "Liquidating Fund". A "Liquidating Fund" is a fund that has exceeded its 10th year, has no remaining commitment to be called, contains three (3) or less portfolio companies and has minimal transaction activity (e.g. 4 per year).

JPMorgan would deem any fund that does not meet the definition of "Active Fund/Partnership" as an inactive fund (Liquidating Fund) and would offer a 50% discount to the "Active Fund/Partnership" cost until such time that the final distribution is received.

20. Based on the Processing Capital Calls/Distributions discussion (section 1.104.X, page 54) at the presentation on December 20, 2006, will JP Morgan reduce their cost from \$250/transaction and provide step-variable pricing (i.e. 1 to 100 = \$XXX, 101 to 200 = \$XXX, etc.)?

JP Morgan's Response:



As discussed during the presentation on December 20, 2006, the scope of the Capital Call/Distribution Services needs to be clarified in detail (i.e., what does the State require to be checked/verified.) Based on such clarification, a reduced cost may very be in order. Regarding step variable pricing, absent a clearer understanding of the scope and requirements, we are unable to assess whether the process can be scaled, to what degree determine and therefore determine whether the requested services qualifies for step variable pricing.

21. The Monthly Cost per Active Fund/Partnership was listed at \$230 in the proposal and step variable pricing was not offered. Will JP Morgan reduce the Monthly Cost per Active Fund/Partnership based on a more clear understanding of the scope and specifications in the RFP; additionally, will JP Morgan offer step variable pricing (i.e. 201 to 250 = \$XXX, 251 to 300 = \$XXX, etc.)?

JP Morgan's Response:

JPMorgan's Monthly Cost per Active Fund/Partnership of \$230 was based on JPMorgan's analysis of the scope and specifications in the RFP. The discussion that took place on December 20, 2006 did not appreciably change JPMorgan's initial analysis of the scope and specifications of the RFP.

JPMorgan is, however, prepared to offer reduced cost as well as step variable pricing in order to demonstrate its strong and sincere desire to expand an already important relationship with the State of Michigan.

Please find JPMorgan's revised proposed Monthly Cost per Active Fund/Partnership.

<u>Active Fund/Partnership</u>	<u>Monthly Cost per Active Fund/Partnership*</u>
a) 200 or less	\$200.00
b) 201 to 250	\$181.25
c) 251 to 300	\$162.50
d) 301 to 350	\$143.75
e) 351 to 400	\$125.00
f) 401 to 450	\$106.25
g) 451 or greater	\$106.25

* Step variable pricing will applied on a "split" basis. For example, if at the end of the month, there were a total of 275 Active Funds/Partnerships, 200 Funds would be billed at \$200 each, 50 Funds would be billed at \$181.25 each and 25 Funds would be billed at \$162.5 each.

22. Scanning historical partnership documentation was not included in the proposal (Document Management, page A.63). Please provide a cost per page for scanning as follows:

Pages	Cost per Page		Quantity	Total
a) 1,000 or less	\$.6125	x	1,000	\$612.50
b) 1,001 to 2,000	\$.6125	x	2,000	\$1,225.00
c) 2,001 to 3,000	\$.6125	x	3,000	\$1,837.50
d) 3,001 to 4,000	\$.6125	x	4,000	\$2,450.00
e) 4,001 to 5,000	\$.6125	x	5,000	\$3,062.50
f) 5,001 to 6,000	\$.6125	x	6,000	\$3,675.00
g) 6,001 or greater	\$.6125	x	7,000	\$4,287.50

While JPMorgan would responsible for scanning and online posting documents on prospective basis, the scanning and initial online posting of historical documentation would be contracted to third party and billed to the State at cost as an out of pocket expense at the above cost per page.



**ITB #071I7200015 (Alternative Investments Portfolio RFP)
JPMorgan Clarifications #2**

1. Please confirm all criteria (exceeded 10th year, no remaining commitment, three [3] or less portfolio companies and minimal transaction activity) needs to be met for the fund to be considered an inactive/Liquidating Fund (Clarifications #1, item 19). If yes, will JPMorgan change the criteria to exceeded 10th year, remaining commitment 10% or less of initial commitment and five (5) or less portfolio companies?

JP Morgan's Response:

Yes. JPMorgan is prepared to accept the State's proposed criteria when defining an inactive/Liquidating Fund. Per our response to Clarification #1, item 19, JPMorgan would offer a 50% discount to the "Active Fund/Partnership" cost until such time that the final distribution is received. Additionally, JPMorgan wishes to clarify that we do not expect to include inactive/Liquidating Funds when applying the step variable pricing proposed in Clarification #1, item 21, but rather, the 50% discount will be applied to the cost associated with the first tier (i.e. 200 or less) step variable pricing schedule.

2. The State is in-process of defining the scope for Capital Call/Distribution Services (Clarifications #1, item 20). Distributions might not require full back office support beyond what is provided in the basic service of distribution detail entry. Please clarify what would be performed for back office support of distributions.

JP Morgan's Response:

Beyond the basic service of a distribution detail entry, the following represents the key components which would comprise back office support of distributions:

- a) Validate the LP's remaining commitment
- b) Validate that LP's individual gross distribution and its components (e.g. return of capital, realized gains(losses), income, etc) reconciles to the total gross Fund distribution and in relation to the LP's commitment % to the Fund.
- c) To the extent that a distribution also includes capital calls for investments, management fees, organizational expenses, etc are, validate these have been correctly calculated and allocated to the individual LP and reconciles to the overall net distribution.
- d) Confirm payment details match payment details as approved by authorizing party. Contact GP and LP if discrepancy exists.
- e) Contact the GP if above information is not provided with distribution notice.
- f) Contact the GP to resolve potential discrepancies and notify AID of any issues that may require their involvement.
- f) Maintain electronic record of reviewed distribution and all back up to support validation/review process.

Additional validations can be made provided sufficient detail is/can be provided by the GP on the notice or as addendum to the notice.



**ITB #071I7200015 (Alternative Investments Portfolio RFP)
JPMorgan Clarifications #3
Clarification of Scope for Capital Call/Distribution Services**

1. Basic Service

- a) Service provider will generate and provide electronic documentation or form for Bureau of Investments authorization on all capital call and stock distribution notices.

JPMorgan's Response:

Confirmed. JPMorgan will utilize "eForms" to prepare an electronic form for Bureau of Investments authorization on all capital call and stock distribution notices. The "eForms" will contain all the required data elements necessary for authorization including an electronic copy of the original capital call and stock distribution notice.

- b) Service provider will then generate documentation of all approvals received and forward this electronically to designated parties with the original payment request and any other required documentation.

JPMorgan's Response:

Confirmed. Once the Bureau of Investments authorizes the capital call or stock distribution notice, JPMorgan's "eForms" process will automatically route the approved notice, including copies of any other documentation that has been included through the approval process, to all parties previously designated by the Bureau of Investments ("Designated Parties"). E-mail notifications can automatically be sent to Designated Parties notifying them that an approved notice is available for retrieval by accessing the "eForms" through PEFS Online.

In order to comply with JPMorgan's internal risk policies concerning transmission of value bearing instruction to third parties (e.g. custodian banks), all such transactions authorized and delivered through the process outlined above must be contractually deemed to have been given by the State and not JPMorgan. As an additional control, an end of day recap/reconciliation procedure will be implemented with the custodian bank to ensure that all value bearing instructions approved by the State have been received by the custodian bank.

- c) Calculation Confirmation will be required for all Management Fee payments whether they are in draw-down form or part of a distribution notice.

JPMorgan's Response:

Confirmed. JPMorgan can perform the Management Fee confirmation calculations as required by the State.

- d) Please provide a cost for providing only the Basic Services listed in this section.

JPMorgan's Response:

The cost for providing only Basic Services listed in this section is \$60 per capital call or distribution noticed processed.

2. Optional Service



a) Option A

- 1) All Cash Flows and related transactions with documentation will be saved electronically.

JPMorgan's Response:

If by "cash flows and related transactions with documentation" the State is referring to capital call, distribution notices and other documentation related to these transactions, JPMorgan has already contemplated providing the requested service as part of its standard service for Funds/Partnerships.

- 2) All GP quarterly & audited Financial Statements and related documents will be saved electronically.

JPMorgan's Response:

Confirmed. JPMorgan has already contemplated providing the requested service as part of its standard service for Funds/Partnerships.

- 3) Please provide a cost for providing only the Option A services listed in this section.

JPMorgan's Response:

The cost for providing only the Option A services listed in this section is already included in the revised Monthly Cost per Active Fund/Partnership provided in our response to Clarification #1, Question 21.

b) Option B

- 1) Validate LP's individual gross distribution and its components (e.g. return of capital, realized gains[losses], income, etc) reconciles to the total gross Fund distribution and in relation to the LP's commitment % to the Fund.

JPMorgan's Response:

Confirmed. JPMorgan can perform the validation(s) described above. The validation can be performed on per distribution basis.

- 2) Validate waterfall and carried interest calculations.

JPMorgan's Response:

Subject to the GP's provision of the Fund level split of both GP and LP carry allocation, JPMorgan can confirm the State's pro rata share of the carry allocation in relation to the State's current capital account balance (or % commitment) and the Fund's overall capital account balance. This validation would be performed on a quarterly basis, after receipt of the quarterly financials statements, and only for those funds that are "in the carry".

- 3) Please provide a cost for providing only the Option B services listed in this section.

JPMorgan's Response:

The cost for providing only the Option B services is as follows:

- 1) For validation services performed on a per distribution basis: \$60 per each distribution
- 2) For validation services performed on a quarterly basis: \$250 per Fund Investment per year

3. Please provide a cost for providing both the Basic and Optional Services.



JPMorgan's Response:

No additional discounting is contemplated should both Basic and Optional Services be selected.



**ITB #071I7200015 (Alternative Investments Portfolio RFP)
JPMorgan Clarifications #4**

1. Capital Calls Distributions
 - a. Regarding Clarification #3, please clarify the capital calls and distributions costs. Provide an estimated annual and three-year cost based on the following assumptions:
 - (1) 800 capital calls and 800 distributions per year with approximately 5% of the distributions containing a management fee
 - (2) Approximately 250 partnerships.

Provide the estimated annual and three-year cost with and without Option B.

JPMorgan's Response:

Please refer to attached Appendix I for estimated annual and three-year cost with (Scenario A) and without Option B (Scenario B).

2. Please provide JPMorgan's best monthly cost for Active Funds/Partnerships and Capital Calls/Distributions based on the following relationships with your organization:
 - a. The State of Michigan has over \$470 million invested with your organization's Private Equity team
 - b. The State of Michigan's contract for Procurement Card services (Department of Management and Budget)
 - c. The State of Michigan's contract for Lockbox Processing services (Department of Treasury)
 - d. The State of Michigan's contract for Banking services (Unemployment Agency).

JPMorgan's Response:

JPMorgan has reviewed the reduced pricing proposed in our response to Clarification#2 and Clarification #3 and believes we have offered very competitive pricing.

Notwithstanding this, based on the State of Michigan's important and long standing relationship with JPMorgan, we are prepared to offer an additional five percent (5%). The 5% reduction will be applied against the total amount of each invoice as determined by the pricing outlined in the proposed pricing contained in Clarification #2 and #3, excluding pass through charges, if any.

JPMorgan is very interested in expanding an already important relationship with the State and we hope this additional reduction clearly demonstrates this.



APPENDIX I to Clarification #4

Scenario A	# of Capital Calls/Stock Distributions	# of Distributions w/ Mgmt Fee	Total	# of Funds	Cost per Capital Call or Distribution w/ Mgmt Fee	Cost per Fund	Annual Cost	3 Year Total
Basic Service	800	40	840	N/A	\$60	N/A	\$50,400	\$151,200

Scenario B	# of Capital Calls/Stock Distributions	# of Distributions (including those w/ Mgmt Fee)	Total	# of Funds	Cost per Capital Call or Distribution w/ Mgmt Fee	Cost per Fund	Annual Cost	3 Year Total
Basic Service	800	40*	840	N/A	\$60	N/A	\$50,400	\$151,200
Optional Service B - per Distribution	N/A	760*	760	N/A	\$60	N/A	\$45,600	\$136,800
Optional Service B - per Fund	N/A	N/A	N/A	250	N/A	\$250	\$62,500	\$187,500

* Distributions received with Mgmt Fee will only be charged once if selecting Basic Service + Optional Service B. Total \$158,500 \$475,500



Article 1, Attachment A
Pricing

Active Fund/Partnership*	Monthly Cost per Active Fund/Partnership		Quantity		Months	3-Year Total
a) 200 or less	\$190	X	200	x	36	\$1,368,000
b) 201 to 250	\$172.19	x	250	x	36	\$1,549,710
c) 251 to 300	\$154.38	x	300	x	36	\$1,667,304
d) 301 to 350	\$136.57	x	350	x	36	\$1,720,782
e) 351 to 400	\$118.75	x	400	x	36	\$1,710,000
f) 401 to 450	\$100.94	x	450	x	36	\$1,635,228
g) 451 or greater	\$100.94	x	500	X	36	\$1,816,920

Optional Costs:

1. Capital Calls and Recalls: Full-Back Office Support	Monthly Cost per Active Fund/Partnership		Quantity		Months	3-Year Total
a) 200 or less	Please see below	x	200	x	36	Please see below
b) 201 to 250	Please see below	x	250	x	36	Please see below
c) 251 to 300	Please see below	x	300	x	36	Please see below
d) 301 to 350	Please see below	x	350	x	36	Please see below
e) 351 to 400	Please see below	x	400	x	36	Please see below
f) 401 to 450	Please see below	x	450	x	36	Please see below
g) 451 or greater	Please see below	x	500	x	36	Please see below

Optional Categories:

1. Benchmarks (section 1.104.IX)

a. Annual Fee (if an additional cost and not included in base system): \$ 0

2. Process Capital Calls & Distributions (section 1.104.X) \$475,500

a. Monthly Cost per Active Fund/Partnership: JPMorgan is proposing a per-transaction fee rather than monthly fixed fee per partnership. The proposed fee is \$250 per capital call or distribution. Kindly note, JPMorgan will not held liable for inaccuracies in historical data (i.e. pre-conversion) provided to it by third parties where this data is necessary and used to provide back office services.

3. Receive time weighted rates of return on the portfolio (section 1.104.XI)

a. Annual Fee (if an additional cost and not included in base system): \$ 0

4. Forecasting Tools (section 1.104.XII)

a. Annual Fee (if an additional cost and not included in base system): Not able to provide quote at this time.

Additional Resources and Costs (if applicable, Out-of-Scope)

1. Consulting Services: Where significant manual manipulation or normalization of historical data from current service provider and/or manual data entry is required. Fee: \$150 per hour. JPMorgan will identify any potential charges prior to working with data.

2. Document Management: Scanning historical partnership documentation is not included in the above quote, but can be quoted on separate basis. JPMorgan is responsible for scanning all documentation that is dated posted conversion date.

3. Technology Access: Ten (10) User IDs for PEFS Online and IDX Access for AID staff is included in the above base fee. Access for additional AID staff will be \$175 per user per year.

*** State will only pay for active funds/partnerships in Contractor's system. Inactive or archived funds are not billable**

- Pricing is all inclusive



APPENDIX I to Clarification #4

Scenario A	# of Capital Calls/Stock Distributions	# of Distributions w/ Mgmt Fee	Total	# of Funds	Cost per Capital Call or Distribution w/ Mgmt Fee	Cost per Fund	Annual Cost	3 Year Total
Basic Service	800	40	840	N/A	\$60	N/A	\$50,400	\$151,200
Scenario B	# of Capital Calls/Stock Distributions	# of Distributions (including those with Mgmt Fee)	Total	# of Funds	Cost per Capital Call or Distribution w/ Mgmt Fee	Cost per Fund	Annual Cost	3 Year Total
Basic Service	800	40*	840	N/A	\$60	N/A	\$50,400	\$151,200
Optional Service B - per Distribution	N/A	760*	760	N/A	\$60	N/A	\$45,600	\$136,800
Optional Service B - per Fund	N/A	N/A	N/A	250	N/A	\$250	\$62,500	\$187,500

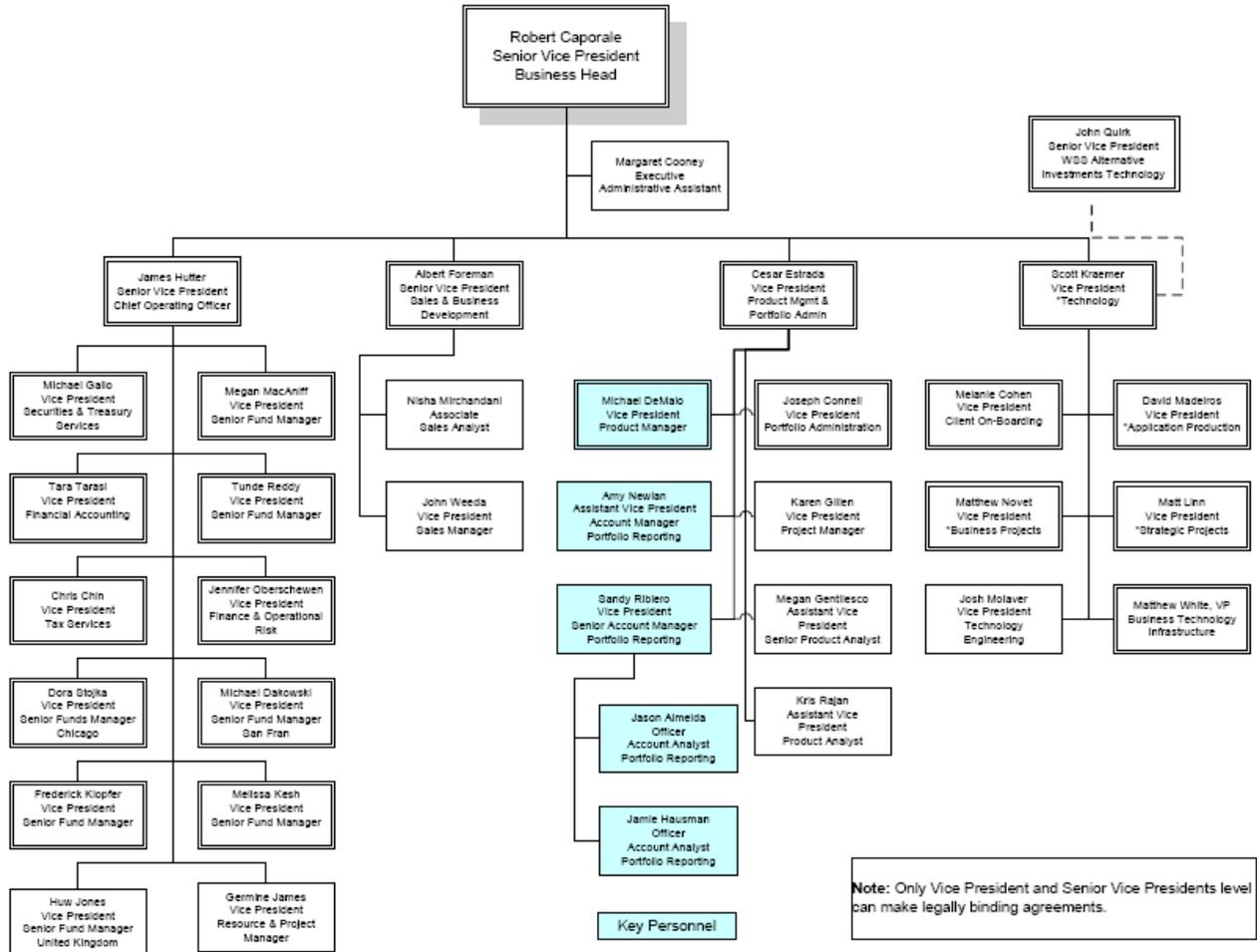
* Distributions received with Mgmt Fee will only be charged once if selecting Basic Service + Optional Service B.

Total \$158,500 \$475,500



Article 1, Attachment B
Organizational Chart, including Key Personnel

Private Equity Fund Services





Article 2 – General Terms and Conditions

2.010 Contract Structure and Administration

2.011 Definitions

Capitalized terms used in this Contract (including its Exhibits) shall have the meanings given below, unless the context requires otherwise:

- (a) "Days" means calendar days unless otherwise specified.
- (b) "24x7x365" means 24 hours a day, seven days a week, and 365 days a year (including the 366th day in a leap year).
- (c) "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. "Additional Service" does not include New Work.
- (d) "Amendment Labor Rates" means the schedule of fully-loaded hourly labor rates.
- (e) "Audit Period" has the meaning given in **Section 2.111**.
- (f) "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.
- (g) "Incident" means any interruption in Services.
- (h) "Business Critical" means any function identified in any Statement of Work as Business Critical.
- (i) "Deliverable" means physical goods and/or commodities as required or identified by a Statement of Work
- (j) "Key Personnel" means any Personnel designated in **Article 1, Section 1.201 and/or Attachment B**, as Key Personnel.
- (k) "New Work" means 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. "New Work" does not include Additional Service.
- (l) "Services" means any function performed for the benefit of the State.
- (m) "State Location" means any physical location where the State performs work. State Location may include state-owned, leased, or rented space.
- (n) "Subcontractor" means 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.
- (o) "Work in Process" means a Deliverable that has been partially prepared, but has not been presented to the State for Approval.

2.012 Attachments and Exhibits

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

2.013 Statements of Work

- (a) The parties agree that the Services/Deliverables to be rendered by Contractor pursuant to this Contract (and any future amendments of it) will be defined and described in detail in Statements of Work or Purchase Orders (PO) executed under this Contract. Contractor shall not be obliged or authorized to commence any work to implement a Statement of Work until authorized via a PO issued against this Contract, or an amendment to this Contract (see 2.106). Contractor shall perform in accordance with this Contract, including the Statements of Work/Purchase Orders executed under it.
- (b) Unless otherwise agreed by the parties, each Statement of Work (as defined in Article 1) will include, or incorporate by reference to the appropriate Contract Article 1 Attachment containing, the following information:
 - a description of the Services to be performed by Contractor under the Statement of Work;
 - a project schedule (including the commencement and completion dates for all tasks, subtasks (for all projects of sufficient duration and complexity to warrant sub task breakdown), and Deliverables;
 - a list of the Deliverables to be provided, if any, including any particular specifications and acceptance criteria for such Deliverables, and the dates on which the Deliverables are scheduled to be completed and delivered to the State;



- all Deliverable price schedules and other charges associated with the Statement of Work, the overall fixed price for such Statement of Work and any other appropriate pricing and payment terms;
 - a specification of Contractor's and the State's respective performance responsibilities with respect to the performance or completion of all tasks, subtasks and Deliverables;
 - a listing of any Key Personnel of Contractor and/or its Subcontractors for that Statement of Work and any future Statements of Work;
 - any other information or provisions the parties agree to include.
- (c) Reserved.
- (d) The initial Statements of Work, as of the Effective Date, are attached to this Contract.

2.014 Issuing Office

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

Jim Wilson
Purchasing Operations
Department of Management and Budget
Mason Bldg, 2nd Floor
PO Box 30026
Lansing, MI 48909
Wilsonj4@michigan.gov
517-241-1916

2.015 Contract Compliance Inspector

Upon receipt at Purchasing Operations of the properly executed Contract, it is anticipated that the Director of DMB Purchasing Operations, in consultation with (insert the end using agency), will direct that the person named below, or any other person so designated, be authorized to monitor and coordinate the activities for the Contract on a day-to-day basis during its term. However, monitoring of this Contract implies **no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of such Contract as that authority is retained by the Office of Purchasing Operations.** The Contract Compliance Inspector for this Contract is:

Kevin Fedewa
Department of Treasury
Bureau of Investments
Alternative Investments Division
2501 Coolidge Road, Suite 400
East Lansing, MI 48823.

2.020 Contract Objectives/Scope/Background

2.021 Background

See section 1.002.

2.022 Purpose

See section 1.001.

2.023 Objectives and Scope

See section 1.101.



2.024 Interpretation

Sections 2.021 through 2.023 are intended to provide background and context for this Contract and are not intended to expand the scope of the obligations under this Contract or to alter the plain meaning of the terms and conditions of this Contract. However, to the extent the terms and conditions of this Contract are unclear or otherwise ambiguous, such terms and conditions are to be interpreted and construed in light of the provisions of this Section.

2.025 Form, Function and Utility

If the Contract is for use of more than one (1) State agency and if the Deliverable/Service does not meet the form, function, and utility required by that State agency, that agency may, subject to State purchasing policies, procure the Deliverable/Service from another source.

2.030 Legal Effect and Term

2.031 Legal Effect

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.

2.032 Contract Term

This Contract is for a period of three (3) years from May 21, 2007 through May 20, 2010. All outstanding Purchase Orders shall also expire upon the termination (cancellation for any of the reasons listed in 2.210) of the Contract, unless otherwise extended pursuant to 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.

2.033 Renewal(s)

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 two (2) additional one (1) year periods. Successful completion of negotiations surrounding the terms of the extension, will be a pre-requisite for the exercise of any option year.

2.040 Contractor Personnel

2.041 Contractor Personnel

(a) Personnel Qualifications. All persons assigned by Contractor to the performance of Services under this Contract shall be employees of Contractor or its majority-owned (directly or indirectly, at any tier) subsidiaries (or a State-approved Subcontractor) and shall be fully qualified to perform the work assigned to them. Contractor shall 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 shall 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.

(b) Key Personnel

(i) In discharging its obligations under this Contract, Contractor shall provide the named Key Personnel on the terms indicated. **Article 1, Attachment B** provides an organization chart showing the roles of certain Key Personnel, if any.



(ii) Key Personnel shall be dedicated as defined in **Article 1, Attachment B** 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.

(iii) 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. Additionally, the State's request shall be based on legitimate, good-faith reasons. Proposed alternative for the individual denied, shall be fully qualified for the position.

(iv) Contractor shall not remove any Key Personnel from their assigned roles or the Contract without the prior written consent of the State. If the Contractor does remove Key Personnel without the prior written consent of the State, it shall be considered an unauthorized removal ("Unauthorized Removal"). It shall not be considered an Unauthorized Removal if Key Personnel must be replaced for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation or for cause termination of the Key Personnel's employment. It shall not be considered an Unauthorized Removal if Key Personnel must be replaced 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 shall 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 rights under **Section 2.210**.

(v) Reserved

(c) Re-assignment of non-Key Personnel. Prior to re-deploying to other projects, at the completion of their assigned tasks on the Project, teams of its non-Key Personnel who are performing Services on-site at State facilities or who are otherwise dedicated primarily to the Project, Contractor will give the State at least ten (10) Business Days notice of the proposed re-deployment to give the State an opportunity to object to the re-deployment if the State reasonably believes such team's Contract responsibilities are not likely to be completed and approved by the State prior to the proposed date of re-deployment.

(d) 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 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 personnel for the removed person shall 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 such incident with removed personnel results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Service will not be counted in **Section 2.076** for a time as agreed to by the parties.

(e) Staffing Levels.

(i) All staff requirements not specified in the applicable Statement of Work or State-approved project plan as State personnel will be supplied by Contractor. This includes secretarial, clerical and Contract administration support staff necessary for Contractor to perform its obligations hereunder.

(ii) Contractor shall provide sufficient personnel resources for the completion of Contract tasks indicated in Contractor's project plan approved by the State. If the level of personnel resources is insufficient to complete any Contractor Contract tasks in accordance with the Contract time schedule as demonstrated by Contractor's failure to meet mutually agreed to time schedules, Contractor shall promptly add additional qualified personnel resources to the performance of the affected tasks, at no additional charge to the State, in an amount sufficient to complete performance of Contractor's tasks in accordance with the Contract time schedule.



(f) Personnel Turnover. The Parties agree that it is in their best interests to keep the turnover rate of employees of Contractor and its Subcontractors who are performing the Services to a reasonable minimum. Accordingly, if the State determines that the turnover rate of such employees is excessive and so notifies Contractor, Contractor will meet with the State to discuss the reasons for the turnover rate and otherwise use commercially reasonable efforts to minimize such turnover rate. If requested to do so by the State, Contractor will submit to the State its proposals for reducing the turnover rate to an acceptable level. In any event, notwithstanding the turnover of personnel, Contractor remains obligated to perform the Services without degradation and in accordance with the State-approved Contract schedule.

(g) Location. All staff assigned by Contractor to work on the Contract will perform their duties either at Contractor's offices or facilities.

2.042 Contractor Identification

Contractor employees shall 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.

2.043 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, and, as reasonably requested by the State, to provide to the State's agents and other contractors with reasonable access to Contractor's Project personnel, systems and facilities to the extent they relate to activities specifically associated with this Contract and will not interfere or jeopardize the safety or operation of the systems or facilities and provided Contractor receives reasonable prior written notice of such request. 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 such requests for access.

2.044 Subcontracting by Contractor

(a) 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.

(b) Contractor shall not delegate any duties under this Contract to a Subcontractor unless the Department of Management and Budget, Purchasing Operations has given written consent to such delegation. Such consent shall not be unreasonably withheld. Notwithstanding anything contained herein to the contrary, Contractor may delegate any of its duties under the Contract to an affiliate of the Contractor without consent. 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 SLAs for the affected Work will not be counted in **Section 2.076** for a time agreed upon by the parties.

(c) 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.



(d) Except where specifically approved in writing by the State on a case-by-case basis, Contractor shall flow down the obligations in **Sections 2.040, 2.110, 2.150, 2.160, 2.171(c), 2.172(b), 2.180, 2.260, 2.276, 2.297** in all of its agreements with any Subcontractors.

(e) 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.

2.045 Contractor Responsibility for Personnel

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.

2.050 State Standards

2.051 Existing Technology Standards - RESERVED

2.052 PM Methodology Standards- RESERVED

2.053 Adherence to Portal Technology Tools

The State has adopted the following tools for its Portal Technology development efforts:

- Vignette Content Management and personalization Tool
- Inktomi Search Engine
- E-Pay Payment Processing Module
- Websphere Commerce Suite for e-Store applications

Unless otherwise stated, Contractor must use the Portal Technology Tools to implement web content management and deployment efforts. Tools used for web-based application development must work in conjunction with Vignette and Inktomi. The interaction with Vignette and Inktomi must be coordinated with DIT, Enterprise Application Services Office, e-Michigan Web Development team.

Contractors that are compelled to use alternate tools must have received an exception from DIT, Enterprise Application Services Office, e-Michigan Web Development team, before this Contract is effective.

2.054 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/0,1607,7-179-25781-73760--,00.html>. 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.

2.060 Deliverables

2.061 Ordering

(a) Any Services/Deliverables to be furnished under this Contract shall be ordered by issuance of written Purchase Orders/Blanket Purchase Order by the State after approval by the Contract Administrator or his/her designee. All orders are subject to the terms and conditions of this Contract. In the event of conflict between an order and this Contract, the Contract shall take precedence as stated in **Section 2.293**. In no event shall any additional terms and conditions contained on a Purchase Order/Blanket Purchase Order be applicable, unless specifically contained in that Purchase Order/Blanket Purchase Order's accompanying Statement of Work.



(b) Reserved.

2.062 Software

The Statement of Work lists the items of software the State is required to purchase for execution the Contract. The list in **the Statement of Work** 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). **Exhibit B** also identifies certain items of software to be provided by the State.

2.063 Hardware

The Statement of Work lists the items of hardware the State is required to purchase for execution the Contract. The list in **the Statement of Work** 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 Statement of Work** also identifies certain items of hardware to be provided by the State.

2.064 Equipment to be New and Prohibited Products

(a) 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.

(b) 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 Purchasing Operations has approved a change order pursuant to **Section 2.106**.

2.070 Performance

2.071 Performance, In General

The State engages Contractor to execute the Contract and perform the Services/provide the Deliverables, and Contractor undertakes to execute and complete the Contract in its entirety in accordance with the terms and conditions of this Contract and with the participation of State representatives as specified in this Contract.

2.072 Time of Performance

(a) Contractor shall use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables in accordance with 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 2.072(a)**, Contractor shall 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, in such event, shall inform the State of the projected actual delivery date.

(c) If Contractor believes that a delay in performance by the State has caused or will cause Contractor to be unable to perform its obligations in accordance with specified Contract time periods, Contractor shall notify the State in a timely manner and shall use commercially reasonable efforts to perform its obligations in accordance with such Contract time periods notwithstanding the State's failure. Contractor will not be in default for a delay in performance to the extent such delay is caused by the State.

2.073 Liquidated Damages - Reserved



2.074 Bankruptcy

If Contractor shall file for protection under the bankruptcy laws, or if an involuntary petition shall be filed against Contractor and not removed within thirty (30) days, or if the Contractor becomes insolvent, be adjudicated bankrupt, or if it should make a general assignment for the benefit of creditors, or if a receiver shall be appointed due to its insolvency, and Contractor and/or its affiliates are unable to provide reasonable assurances that Contractor and/or its affiliates can deliver the services provided herein, 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 such Works in Process by whatever appropriate method the State may deem expedient. 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 shall be stored separately from other stock and marked conspicuously with labels indicating ownership by the State.

To secure the State's progress payments before the delivery of any services or materials required for the execution of Contractor's obligations hereunder, and any work which Contractor may subcontract in the support of the performance of its obligations hereunder, title shall vest in the State to the extent the State has made progress payments hereunder.

2.075 Time is of the Essence

The Contractor agrees that time is of the essence in the performance of the Contractor's obligations under this Contract.

2.076 Service Level Agreements (SLAs)

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

- (i) SLAs will not be calculated for individual Incidents where any event of Excusable Failure has occurred as defined in **Section 2.202**,
- (ii) SLAs will not be calculated for individual Incidents where loss of service is planned and where the State has received prior notification and/or coordination.
- (iii) 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. In order to invoke this consideration, complete documentation relevant to the denied planning proposal must be presented to substantiate the proposal.
- (iv) 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 ("Stop-Clock Conditions"):
 1. 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.
 2. 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 (3) 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 vendor for the chronic location(s) with Contractor to pay the difference in charges for up to three (3) additional months. The termination of the Service will not affect any tiered pricing levels.

(c) 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 (2) weeks of outage(s) and provide a recommendation for resolution.

(d) All decimals shall be rounded to two (2) decimal places with five (5) and greater rounding up and 4 and less rounding down unless otherwise specified.



2.080 Delivery and Acceptance of Deliverables

2.081 Delivery Responsibilities

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

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

Where there is no obvious or suspected damage, all deliveries to a State Location must be opened by the State and the contents inspected for possible internal damage not visible externally within 14 days of receipt. Any damage must be reported to the Contractor within five (5) days of inspection. If this inspection does not occur and damages not reported within 30 days of receipt, the cure for such damaged deliveries shall transfer to the delivery signing party.

2.082 Delivery of Deliverables

- (a) Where applicable, the Statements of Work/POs contain lists of the Deliverables to be prepared and delivered by Contractor including, for each Deliverable, the scheduled delivery date and a designation of whether the Deliverable is a document ("Written Deliverable"), a good ("Physical Deliverable") or a Service. All Deliverables 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 the Contract.

2.083 Testing

- (a) 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. Before delivering a Physical Deliverable or Service 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 or Service is in a suitable state of readiness for the State's review and approval, and (5) the Deliverable/Service has all Critical Security patches/updates applied.
- (b) If a Deliverable includes installation at a State Location, then Contractor shall (1) perform any applicable testing, (2) correct all material deficiencies discovered during such quality assurance activities and testing, and (3) inform the State that the Deliverable is in a suitable state of readiness for the State's review and approval. To the extent that testing occurs at State Locations, the State shall be entitled to observe or otherwise participate in testing.

2.084 Approval of Deliverables, In General

- (a) All Deliverables (Physical Deliverables and Written Deliverables) and Services 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 will include the successful completion of Testing as applicable in **Section 2.083**, 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.



(b) The State's obligation to comply with any State Review Period is conditioned on the timely delivery of Deliverables/Services being reviewed.

(c) Prior to commencement of its review or testing of a Deliverable/Service, the State may inspect the Deliverable/Service to confirm that all components of the Deliverable/Service have been delivered without material deficiencies. If the State determines that the Deliverable/Service has material deficiencies, the State may refuse delivery of the Deliverable/Service without performing any further inspection or testing of the Deliverable/Service. Otherwise, the review period will be deemed to have started on the day the State receives the Deliverable or the Service begins, and the State and Contractor agree that the Deliverable/Service is ready for use and, where applicable, certification by Contractor in accordance with **Section 2.083(a)**.

(d) The State will approve in writing a Deliverable/Service upon confirming that it conforms to and, performs in accordance with, its specifications without material deficiency. The State may, but shall not be required to, conditionally approve in writing a Deliverable/Service that contains material deficiencies if the State elects to permit Contractor to rectify them post-approval. In any case, Contractor will be responsible for working diligently to correct within a reasonable time at Contractor's expense all deficiencies in the Deliverable/Service that remain outstanding at the time of State approval.

(e) If, after three (3) opportunities (the original and two repeat efforts), Contractor is unable to correct all deficiencies preventing Final Acceptance of a Deliverable/Service, 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 the 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/Service and will pay the State an additional sum equal to ten percent (10%) of such excess expenditure to cover the State's general expenses provided the State can furnish proof of such general expenses; or (iii) terminate the particular Statement of Work for default, either in whole or in part by notice to Contractor provided Contractor is unable to cure such breach. 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.

(f) The State, at any time and in its reasonable discretion, may halt the testing or approval process if such process reveals deficiencies in or problems with a Deliverable/Service 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 stop using the Service or return the applicable Deliverable to Contractor for correction and re-delivery prior to resuming the testing or approval process.

2.085 Process For Approval of Written Deliverables

The State Review Period for Written Deliverables will be the number of days set forth in the applicable Statement of Work following delivery of the final version of the Deliverable (failing which the State Review Period, by default, shall be five (5) Business Days for Written Deliverables of 100 pages or less and ten (10) Business Days for Written Deliverables of more than 100 pages). The duration of the State Review Periods will be doubled if the State has not had an opportunity to review an interim draft of the Written Deliverable 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 Deliverable is approved in the form delivered by Contractor or describing any deficiencies that must be corrected prior to approval of the Deliverable (or at the State's election, subsequent to approval of the Deliverable). If the State delivers to Contractor a notice of deficiencies, Contractor will correct the described deficiencies and within 30 Business Days resubmit the Deliverable in a form that shows all revisions made to the original version delivered to the State. Contractor's correction efforts will be made at no additional charge. Upon receipt of a corrected 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 Deliverable to confirm that the identified deficiencies have been corrected.



2.086 Process for Approval of Services

The State Review Period for approval of Services is governed by the applicable Statement of Work (failing which the State Review Period, by default, shall be 30 Business Days for Services). The State agrees to notify Contractor in writing by the end of the State Review Period either stating that the Service is approved in the form delivered by Contractor or describing any deficiencies that must be corrected prior to approval of the Services (or at the State's election, subsequent to approval of the Service). If the State delivers to Contractor a notice of deficiencies, Contractor will correct the described deficiencies and within thirty (30) Business Days resubmit the Service 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 implementation of a corrected Service 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 Service for conformity and that the identified deficiencies have been corrected.

2.087 Process for Approval of Physical Deliverables

The State Review Period for approval of Physical Deliverables is governed by the applicable Statement of Work (failing which the State Review Period, by default, shall be 30 continuous Business Days for a Physical Deliverable). The State agrees to notify Contractor in writing by the end of the State Review Period either stating that the Deliverable is approved in the form delivered by Contractor or describing any deficiencies that must be corrected prior to approval of the Deliverable (or at the State's election, subsequent to approval of the Deliverable). If the State delivers to Contractor a notice of deficiencies, Contractor will correct the described deficiencies and within 30 Business Days resubmit the Deliverable in a form that shows all revisions made to the original version delivered to the State. Contractor's correction efforts will be made at no additional charge. Upon receipt of a corrected 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 Deliverable to confirm that the identified deficiencies have been corrected.

2.088 Final Acceptance

Unless otherwise stated in the Statement of Work or Purchase Order, "Final Acceptance" of each Deliverable shall occur when each Deliverable/Service has been approved by the State following the State Review Periods identified in **Sections 2.080-2.087**. Payment will be made for Deliverables installed and accepted. Upon acceptance of a Service, the State will pay for all Services provided during the State Review Period that conformed to the acceptance criteria.

2.090 Financial

2.091 Pricing

(a) Fixed Prices for Services/Deliverables
Each Statement of Work/PO 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. To the extent the parties agree that certain specific Services will be provided on a time and materials basis, such Services shall be provided at the Amendment Labor Rates (**Article 1, Attachment A**). 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.

(b) 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, using the rates in **Article 1, Attachment A** unless specifically identified in an applicable Statement of Work.

(c) 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.

(d) Labor Rates All time and material charges will be at the rates specified in **Article 1, Attachment A**.



2.092 Invoicing and Payment Procedures and Terms

(a) Invoicing and Payment – In General

(i) 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.

(ii) 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. The charges for Services billed on a time and materials basis shall be determined based on the actual number of hours of Services performed, at the applicable Labor Rates specified in **Article 1, Attachment A**. 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 2.094**.

(iii) 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 forty-five (45) days after receipt, provided the State determines that the invoice was properly rendered.

(b) Taxes (See Section 2.305 and Article 3, Section 3.022-3.024 for additional)

The State is exempt from Federal Excise Tax, State and Local Sales Taxes, and Use Tax with respect to the sale to and use by it of tangible personal property. Such taxes shall not be included in Contract prices as long as the State maintains such exemptions. Copies of all tax exemption certificates shall be supplied to Contractor, if requested.

(c) Out-of-Pocket Expenses

Contractor acknowledges that the out-of-pocket expenses that Contractor expects to incur in performing the Services/providing the Deliverables (such as, but not limited to, travel and lodging, document reproduction and shipping, and long distance telephone) are included in Contractor's fixed price for each Statement of Work. Accordingly, Contractor's out-of-pocket expenses are not separately reimbursable by the State unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for such an expense at the State's current travel reimbursement rates. See http://www.mi.gov/dmb/0,1607,7-150-9141_13132---,00.html for current rates.

(d) 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.

(e) 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.

(f) 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 of the fees for the services provided to the State under this Contract shall constitute a waiver of all claims by Contractor against the State for payment of further fees for Services under this Contract, other than those claims previously filed in writing on a timely basis and still unsettled.

2.093 State Funding Obligation

The State's obligation under this Contract is payable only and solely from funds appropriated for the purpose of this Contract. Contractor acknowledges and agrees that all funds for payments after the end of the current fiscal year are subject to the availability of a legislative appropriation for the purpose of this Contract. Events of non-appropriation are addressed further in **Section 2.210** of this Contract.



2.094 Holdback

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

2.095 Electronic Payment Availability

Electronic transfer of funds is available to State contractors. Contractor is required to register with the State electronically at <http://www.cpexpress.state.mi.us>. Public Act 533 of 2004, requires all payments be transitioned over to EFT by October, 2005.

2.100 Contract Management

2.101 Contract Management Responsibility

(a) 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 **Article 1, Attachment C** (Project Plan) is likely to delay the timely achievement of any Contract tasks.

(b) The Services/Deliverables will be provided by the Contractor either 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.

2.102 Problem and Contract Management Procedures

Problem Management and Contract Management procedures will be governed by the Contract and the applicable Statements of Work.

2.103 Reports and Meetings

(a) Reports.

Within 30 days after the Effective Date, the parties shall determine an appropriate set of periodic reports to be issued by Contractor to the State. Such reports may include:

- (i) separately address Contractor's performance in each area of the Services;
- (ii) for each area of the Services, assess the degree to which Contractor has attained or failed to attain the pertinent objectives in that area, including on-time completion and delivery of Deliverables;
- (iii) explain the reasons for any failure to achieve on-time completion and delivery of Deliverables and include a plan for corrective action where appropriate;
- (iv) describe any circumstances that Contractor anticipates will impair or prevent on-time completion and delivery of Deliverables in upcoming reporting periods;
- (v) include plans for corrective action or risk mitigation where appropriate and describe the status of ongoing problem resolution efforts;
- (vi) provide reports setting forth a comparison of actual hours spent by Contractor (including its augmented personnel and Subcontractors) in performing the Project versus hours budgeted by Contractor.
- (vii) set forth a record of the material personnel changes that pertain to the Services and describe planned changes during the upcoming month that may affect the Services.
- (viii) include such documentation and other information may be mutually agreed to verify compliance with, and meeting the objectives of, this Contract.
- (ix) set forth an updated schedule that provides information on the status of upcoming Deliverables, expected dates of delivery (or redelivery) of such Deliverables and estimates on timing for completion of the Project.



(b) Meetings.

Within 30 days after the Effective Date, the parties shall determine an appropriate set of meetings to be held between representatives of the State and Contractor. Contractor shall prepare and circulate an agenda sufficiently in advance of each such meeting to give participants an opportunity to prepare for the meeting. Contractor shall incorporate into such agenda items that the State desires to discuss. At the State's request, Contractor shall prepare and circulate minutes promptly after a meeting.

2.104 System Changes

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

2.105 Reserved

2.106 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 notice is given by the Contractor 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.

(a) Change Requests

(i) State Requests

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").

(ii) Contractor Recommendations

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.

(iii) 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.

(iv) By giving Contractor written notice within a reasonable time, the State shall 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 shall 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").

(v) No proposed Change shall be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the Department of Management and Budget, Office of Purchasing Operations.

(vi) If the State requests or directs Contractor to perform any activities that Contractor believes constitute a Change, Contractor must notify the State that it believes the requested activities are a Change prior to commencing the performance of the requested activities. If Contractor fails to so notify the State prior to commencing performance of the requested activities, such activities shall be considered to be performed gratuitously by Contractor, and Contractor shall not have any right thereafter to assert any claim for additional compensation or time for the performance of such activities. If Contractor commences performance of gratuitous services outside the scope of this Contract and subsequently elects to stop performing such out-of-scope services, Contractor must, at the request of the State, back out or reverse any changes resulting from such performance that would adversely affect the Contract.

2.107 Management Tools

Contractor will use an automated tool for planning, monitoring and tracking the Contract's progress. In addition, Contractor shall use automated project management tools as reasonably necessary to perform the Services, which tools shall include the capability to produce through the end of the Contract: (i) staffing tables with names of personnel assigned to Contract tasks, (ii) 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 sixty (60) days, updated semi-monthly) and (iii) graphs showing critical events, dependencies and decision points during the course of the Contract. 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's standard to the extent such information is described with reasonable detail in the Statements of Work and to the extent the related work is of sufficient project complexity and duration to warrant such reporting.

2.110 Records and Inspections

2.111 Records and Inspections

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

(b) Examination of Records. Contractor agrees that the State, including its duly authorized representatives during the term of the Contract, shall, upon 20 days prior written notice, have access to and the right to 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, including the State's procurement rules, regulations and procedures, and actual performance of the Contract for the purpose of conducting an audit, examination, excerpt and/or transcription but the State shall not have access to any information deemed confidential to Contractor to the extent such access would require such 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.



(c) Retention of Records. Contractor shall maintain at least until the expiration of seven (7) years following the creation of the material (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 in accordance with generally accepted accounting principles and other procedures specified in this Section. Financial and accounting records shall be made available, upon request, to the State at any time during the term of the Contract. Except where the Contractor has failed to deliver the information in accordance with Section 2.218, if an audit, litigation, or other action involving Contractor's records is initiated at any time during the term of the Contract, the information will be retained until the end of the Audit Period.

(d) Audit Resolution. If necessary, the Contractor and the State shall 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 such report, unless a shorter response time is specified in such report. The Contractor and the State shall develop, agree upon and monitor an action plan to promptly address and resolve any deficiencies, concerns, and/or recommendations in such audit report.

2.112 Errors

(a) If the audit demonstrates any errors in the statements provided to the State, then the amount in error shall 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 (4) quarterly statements. If a balance remains after four (4) quarterly statements, then the remaining amount will be due as a payment or refund within 45 days of the last quarterly statement that the balance appeared on or termination of the contract, whichever is earlier.

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

2.120 State Responsibilities

2.121 State Performance Obligations

(a) Equipment and Other Resources. To facilitate Contractor's performance of the Services/Deliverables, the State shall provide to Contractor such equipment and resources as identified in the Statements of Work or other Contract Exhibits as items to be provided by the State.

(b) Facilities. The State shall designate space as long as it is available and as provided in the Statement of Work, to house Contractor's personnel whom the parties agree will perform the Services/Deliverables at State facilities (collectively, the "State Facilities"). Contractor shall have reasonable access to, and unless agreed otherwise by the parties in writing shall observe and comply with all rules and regulations relating to, each of the State Facilities (including hours of operation) used by 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 Contractor's use, or to which Contractor otherwise gains access in the course of performing the Services, for any purpose other than providing the Services to the State.

(c) Return. Contractor shall be responsible for returning 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.

(d) Except as otherwise provided in **Section 2.220**, the State's failure to perform its responsibilities as set forth in this Contract shall not be deemed to be grounds for termination by Contractor. However, Contractor will not be liable for any default or delay in the performance of its obligations under this Contract to the extent such default or delay is caused by nonperformance of the State's obligations under this Contract, provided Contractor provides the State with reasonable written notice of such nonperformance and Contractor uses commercially reasonable efforts to perform notwithstanding the State's failure to perform. In addition, if the State's nonperformance of its responsibilities under this Contract materially increases the time required for Contractor's performance or Contractor's cost of performance, Contractor shall be entitled to seek an equitable extension via the Change Request process described in **Section 2.106**.

2.130 Security

2.131 Background Checks

The Contractor shall authorize the investigation of its personnel proposed to have access to State facilities and systems on a case by case basis. 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.



Such 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-service/0,1607,7-179-25781-73760--,00.html>. 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.

2.140 Reserved

2.150 Confidentiality

2.151 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").

2.152 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 shall 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 shall mean any information which is retained in confidence by the State (or otherwise required to be held in confidence by the State pursuant to applicable federal, state and local laws and regulations) or which, in the case of tangible materials provided to Contractor by the State pursuant to its performance under this Contract, is marked as confidential, proprietary or with a similar designation by the State. In the case of information of either Contractor or the State "Confidential Information" shall exclude any information (including this Contract) that is publicly available pursuant to the Michigan FOIA.

2.153 Protection 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, provided that Contractor may retain one copy of the Confidential Information to the extent Contractor deems necessary for its legal protection. Each party will limit disclosure of the other party's Confidential Information to employees and Subcontractors who must have access in order 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) such disclosure is necessary or otherwise naturally occurs in connection with work that is within such 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 such Confidential Information from unauthorized use or disclosure.

**2.154 Exclusions**

Notwithstanding the foregoing, the provisions of 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 such 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 such Confidential Information, provided that the receiving party (i) promptly provides the furnishing party with notice (to the extent permitted by applicable law) of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of such disclosure as reasonably requested by the furnishing party.

2.155 No Implied Rights

Nothing contained in this Section shall 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.

2.156 Remedies

Each party acknowledges that, if it breaches (or attempts or threatens to breach) its obligations under this Section, the other party may be irreparably harmed. Accordingly, if a court of competent jurisdiction should find that a party has breached (or attempted or threatened to breach) any such obligations, the non-breaching party shall be entitled to seek an injunction preventing such breach (or attempted or threatened breach).

2.157 Security Breach Notification

In the event of a breach of this Section, Contractor shall take (i) prompt corrective action to cure any such deficiencies and (ii) any action pertaining to such unauthorized disclosure required by applicable federal and state laws and regulations. Contractor and the State will cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor shall 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 ten (10) days of becoming aware of such use or disclosure or such shorter time period as is reasonable under the circumstances.

2.158 Survival

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

2.159 Destruction of Confidential Information

Promptly upon termination or cancellation of the Contract for any reason, Contractor shall certify to the State that Contractor has destroyed all State Confidential Information. Notwithstanding the foregoing or any other provision of this contract to the contrary, Contractor may be required to keep one copy of the Confidential Information for litigation or regulatory purposes. Any Confidential Information of the State that is so retained shall be subject to the confidentiality provision of this Contract and Contractor shall be bound to keep such information confidential.

2.160 Proprietary Rights**2.161 License- RESERVED**



2.162 Source Code Escrow - Reserved

2.163 Rights in Data

(a) The State will be and remain the owner of all data made available by the State to Contractor or its agents, Subcontractors or representatives pursuant to the Contract. 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 Contractor, nor will any employee of 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, Contractor shall only use personally identifiable information as strictly necessary to provide the Services and shall disclose such information only to its employees who have a strict need to know such information. Contractor shall comply at all times with all laws and regulations applicable to such personally identifiable information.

(b) The State is and shall remain the owner of all State-specific data pursuant to 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 shall only use personally identifiable information as strictly necessary to utilize the Services and shall disclose such information only to its employees who have a strict need to know such information, except as provided by law. The State shall comply at all times with all laws and regulations applicable to such personally identifiable information. Other material developed and provided to the State shall remain the State's sole and exclusive property. Contractor shall retain ownership of, and its proprietary rights in, any format of the reports provided to the State pursuant to the contract.

2.164 Ownership of Materials

State and 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.

2.165 Standard Software

If applicable and necessary, all Standard Software used in performing the Services shall be provided to the State under a separate license agreement between the State and the owner (or authorized licensor) of such software. Standard Software to be licensed to the State is listed in **the Statement of Work**.

2.166 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.

2.167 General Skills

Notwithstanding anything to the contrary in this Section, each party, its Subcontractors and their personnel shall be free to use and employ its and their general skills, know-how and expertise, and to use, disclose and employ any generalized ideas, concepts, know-how, methods, techniques or skills gained or learned during the course of performing the Services, so long as it or they acquire and apply the foregoing without disclosure of any confidential or proprietary information of the other party.

2.170 Warranties And Representations

2.171 Warranties and Representations

The Private Equity Fund Services business unit of the Contractor represents and warrants:



- (a) It is capable in all respects of fulfilling and shall fulfill all of its obligations under this Contract. The performance of all obligations under this Contract shall be provided in a timely, professional, and workman-like manner and shall meet the performance and operational standards required under this Contract.
- (b) The Contract Appendices, Attachments and Exhibits identify the equipment and software and services necessary for the Deliverable(s) to perform and Services to operate in compliance with the Contract's requirements and other standards of performance.
- (c) It is the lawful owner or licensee of any Deliverable licensed or sold to the State by Contractor or developed by Contractor under this Contract, and Contractor has all of the rights necessary to convey to the State the ownership rights or licensed use, as applicable, of any and all Deliverables. None of the Deliverables provided by Contractor to the State under this Contract, nor their use by the State, will infringe the patent, copyright, trade secret, or other proprietary rights of any third party. This shall be limited to United States patent, copyright, trademark, trade secret or other proprietary rights of any third party, which is enforceable under the laws of the United States.
- (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 such items in this Contract, Contractor shall 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, shall have, or shall 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 shall notify the State within two (2) days of any such interest that may be incompatible with the interests of the State.
- (h) Neither Contractor nor any Affiliates, nor any employee of either has accepted or shall 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 shall 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 such 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 Contractor for the purpose of restricting competition; the prices quoted were not knowingly disclosed by Contractor to any other Contractor; 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 such financial statements, reports, other information. Since the respective dates or periods covered by such financial statements, reports, or other information, there have been no material adverse change in the business, properties, financial condition, or results of operations of Contractor.
- (m) All written information furnished to the State by or behalf of 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 such information not misleading.



(n) 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 such department within the previous five (5) years for the reason that Contractor failed to perform or otherwise breached an obligation of such contract.

2.172 Software Warranties

(a) 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 ninety (90) days. In the event of a breach of this warranty, Contractor will promptly correct the affected Deliverable(s) at no charge to the State.

(b) 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.

(c) 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.

(d) Third-party Software Warranty- RESERVED

**2.173 Equipment Warranty - Reserved****2.174 Physical Media Warranty**

(a) 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 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).

2.175 DISCLAIMER

THE FOREGOING EXPRESS WARRANTIES ARE IN LIEU OF ALL OTHER WARRANTIES AND EACH PARTY EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, BY OPERATION OF LAW OR OTHERWISE, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

2.176 Consequences For Breach

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

2.180 Insurance**2.181 Liability Insurance**

(a) Liability Insurance

The Contractor is required to provide proof of the minimum levels of insurance coverage as indicated below. The purpose of this coverage shall be to protect the State from claims which may arise out of or result from the Contractor's performance of services under the terms of this Contract, whether such 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 pursuant to this Contract.

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

The insurance shall 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 shall have an A.M. Best rating of A- or better unless insurance is only available from an insurer with a lower rating, or if such ratings are no longer available, with a comparable rating from a recognized insurance rating agency. All policies of insurance required in this Contract shall be issued by companies that have been approved to do business in the State.

See http://www.mi.gov/cis/0,1607,7-154-10555_22535---,00.html.

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



Before the Contract is signed by both parties or before the purchase order is issued by the State, the Contractor must furnish to the Director of Purchasing Operations, certificate(s) of insurance verifying insurance coverage ("Certificates"). The Certificate must be on the standard "accord" form or equivalent. **THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING.** All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) shall contain a provision indicating that coverages afforded under the policies WILL NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED without 30 days prior written notice, except for ten (10) days for non-payment of premium, having been given to the Director of Purchasing Operations, Department of Management and Budget. The notice must include the Contract or Purchase Order number affected and be mailed to: Director, Purchasing Operations, Department of Management and Budget, P.O. Box 30026, Lansing, Michigan 48909. Failure to provide evidence of coverage, may, at the State's sole option, result in this Contract's termination.

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
 \$500,000 Fire Damage Limit (any one fire)

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

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

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

4. Employers liability insurance with the following minimum limits:

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

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



6. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars (\$10,000,000.00), which shall apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.
7. Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: three million dollars (\$3,000,000.00) each occurrence and three million dollars (\$3,000,000.00) annual aggregate.
8. Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under this Contract, and the equipment, software and other contents of such office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to the replacement value thereof, where such office space and its contents are under the care, custody and control of Contractor. Such policy shall cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software.

(b) Subcontractors

Except where the State has approved in writing a Contractor subcontract with other insurance provisions, Contractor shall use reasonable efforts to 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. Failure of Subcontractor(s) to comply with insurance requirements does not limit Contractor's liability or responsibility.

(c) Certificates of Insurance and Other Requirements

Contractor shall furnish to the Office of Purchasing Operations certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "Certificates"). Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, the Contractor shall provide evidence that the State and its agents, officers and employees are listed as additional insureds under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

Contractor shall maintain all required insurance coverage throughout the term of the Contract and any extensions thereto and, in the case of claims-made Commercial General Liability policies, shall secure tail coverage for at least three (3) years following the expiration or termination for any reason of this Contract. The minimum limits of coverage specified above are not intended, and shall not be construed, to limit any liability or indemnity of Contractor under this Contract to any indemnified party or other persons. Contractor shall be responsible for all deductibles with regard to such insurance. If 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, at the State's election (but without any obligation to do so) after the State has given Contractor at least 30 days written notice, the State may pay such premium or procure similar insurance coverage from another company or companies; and at the State's election, the State may deduct the entire cost (or part thereof) from any payment due Contractor, or Contractor shall pay the entire cost (or any part thereof) upon demand by the State.

2.190 Indemnification

2.191 Indemnification

(a) General Indemnification

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

(b) 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.



(c) Employee Indemnification

In any and all 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 shall 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.

(d) Patent/Copyright Infringement Indemnification

To the extent permitted by law, the Contractor shall 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 such 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 such equipment, software, commodity or service, or the use or reproduction of any documentation provided with such 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 shall at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if such 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 such 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 shall have 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; or (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.

2.192 Continuation of Indemnification Obligations

The Contractor's duty to indemnify pursuant to 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 prior to expiration or cancellation for a period not to exceed three (3) years from the date of expiration or cancellation.

2.193 Indemnification Procedures

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

(a) After receipt by the State of notice of the action or proceeding involving a claim in respect of which it will seek indemnification, the State shall promptly notify Contractor of such 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 Contractor shall relieve Contractor of its indemnification obligations except to the extent that Contractor can demonstrate damages attributable to such failure. Within ten (10) days following receipt of written notice from the State relating to any claim, Contractor shall 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 prior to the State receiving Contractor's Notice of Election, the State shall be entitled to defend against the claim, at Contractor's expense, and Contractor will be responsible for any reasonable costs incurred by the State in defending against the claim during such period.

(b) If Contractor delivers a Notice of Election relating to any claim: (i) the State shall be entitled to participate in the defense of such claim and to employ counsel at its own expense to assist in the handling of such claim and to monitor and advise the State about the status and progress of the defense; (ii) Contractor shall, at the request of the State, demonstrate to the reasonable satisfaction of the State, Contractor's financial ability to carry out its defense and indemnity obligations under this Contract;



(iii) Contractor shall periodically advise the State about the status and progress of the defense and shall obtain the prior written approval of the State before entering into any settlement of such claim or ceasing to defend against such claim and (iv) to the extent that any principles of Michigan governmental or public law may be involved or challenged, the State shall have the right, at its own expense, to control the defense of that portion of such claim involving the principles of Michigan governmental or public law. Notwithstanding the foregoing, the State may retain control of the defense and settlement of a claim by written notice to Contractor given within ten (10) days after the State's receipt of Contractor's information requested by the State pursuant to clause (ii) of this paragraph if the State determines that Contractor has failed to demonstrate to the reasonable satisfaction of the State Contractor's financial ability to carry out its defense and indemnity obligations under this Section. Any litigation activity on behalf of the State of Michigan, or any of its subdivisions pursuant to this Section, must be coordinated with the Department of Attorney General. In the event the insurer's attorney represents the State pursuant to 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 shall have the right to defend the claim in such 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 shall promptly reimburse the State for all such reasonable costs and expenses.

2.200 Limits of Liability and Excusable Failure

2.201 Limits of Liability

The Contractor's liability for damages to the State shall be limited to one-sixth the value of the Contract or \$200,000 which ever is higher. The foregoing limitation of liability shall 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.

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

Contractor will not be liable for, regardless of the form of action, for consequential, incidental, indirect, or special damages under any circumstances, except for where Contractor has been found by a court of competent jurisdiction to have acted with gross negligence or fraud or to claims for infringement of United States patent, copyright, trademark, or trade secrets.

2.202 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 such default, damage or delay is caused by government regulations or requirements (executive, legislative, judicial, military or otherwise), power failure, acts of terrorism, 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 such party; provided the non-performing party and its Subcontractors are without fault in causing such default or delay, and such 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 in such event, the non-performing party will be excused from any further performance or observance of the obligation(s) so affected for as long as such circumstances prevail and such party continues to use its commercially reasonable efforts to recommence performance or observance whenever and to whatever extent possible without delay and provided further that such party promptly notifies the other party in writing of the inception of the excusable failure occurrence, and also of its abatement or cessation.

If any of the above-enumerated circumstances substantially prevent, hinder, or delay Contractor's performance of the Services/provision of Deliverables for more than ten (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 shall not be liable for payment for the unperformed Services/ Deliverables not provided under the Contract for so long as the delay in performance shall continue; (b) the State may terminate any portion of the Contract so affected and the charges payable there under shall 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 Contractor, except to the extent that the State shall pay for Services/Deliverables provided through the date of termination.

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, workarounds plans or other means.

2.203 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.

2.210 Termination/Cancellation by the State

The State may terminate this Contract without further liability or penalty to the State, its departments, divisions, agencies, offices, commissions, officers, agents and employees for any of the following reasons:

2.211 Termination for Cause

(a) In the event that Contractor breaches any of its material duties or obligations under this Contract (including a Chronic Failure to meet any particular SLA as defined in **Section 2.076**), which are either not capable of or subject to being cured, or are not cured within the time period specified in the written notice of breach provided by the State (such time period not to be less than 30 days), or pose a serious and imminent threat to the health and safety of any person, or the imminent loss, damage or destruction of any real or tangible personal property, the State may, having provided written notice of termination to Contractor, terminate this Contract in whole or in part, for cause, as of the date specified in the notice of termination.

(b) In the event that this Contract is terminated for cause, in addition to any legal remedies otherwise available to the State by law or equity, Contractor shall be responsible for 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 shall not be considered by the parties to be consequential, indirect or incidental damages, and shall not be excluded by any other terms otherwise included in this Contract, provided such costs are not in excess of fifty percent (50%) more than the prices for such Service/Deliverables provided under this Contract.

(c) In the event 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 shall 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 shall cease on the effective date of the termination.



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

2.212 Termination for Convenience

The State may terminate this Contract for its convenience, in whole or part, if the State determines that such a termination is in the State's best interest. Reasons for such termination shall 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 prior to the date of termination. If the State chooses to terminate this Contract in part, the charges payable under this Contract shall be equitably adjusted to reflect those Services/Deliverables that are terminated. Services and related provisions of this Contract that are terminated for cause shall cease on the effective date of the termination.

2.213 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 shall have the right to 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 shall give Contractor at least 30 days advance written notice of termination for non-appropriation or unavailability (or such 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 made available, the State may, upon 30 days written notice to Contractor, reduce the level of the Services or the change the production of Deliverables in such manner and for such 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 such reduction.

(c) In the event the State terminates this Contract, eliminates certain Deliverables, or reduces the level of Services to be provided by Contractor pursuant to this Section, the State shall 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. For the avoidance of doubt, this Section will not preclude Contractor from reducing or stopping Services/Deliverables and/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.

2.214 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 incident to the application for, or performance of, a State, public or private Contract or subcontract; convicted of a criminal offense, including any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State of Michigan employees; convicted under State or federal antitrust statutes; or convicted of any other criminal offense which in the sole discretion of the State reflects upon Contractor's business integrity.

2.215 Approvals Rescinded

The State may terminate this Contract without further liability or penalty in the event any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services pursuant to Constitution 1963, Article 11, § 5, and Civil Service Rule 7-1. 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 such written notice.



2.216 Rights and Obligations Upon Termination

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

(b) In the event the State terminates this Contract prior to its expiration for its own convenience, the State shall pay Contractor for all charges due for Services provided prior to the date of termination and, if applicable, as a separate item of payment pursuant to 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 pursuant to this Contract shall, at the option of the State, become the State's property, and Contractor shall be entitled to receive equitable fair compensation for such Deliverables. Regardless of the basis for the termination, the State shall not be 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.

2.217 Reservation of Rights

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

2.218 Contractor Transition Responsibilities

In the event this contract is terminated, for convenience or cause, dissolved, voided, rescinded, nullified, expires or is otherwise 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. In the event of termination or the expiration of this Contract, 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 ninety (90) days. These efforts shall include, but are not limited to, the following:

(a) Personnel - The Contractor shall 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 shall allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the services required by this Contract. In addition, during or following the transition period, in the event the State requires the Services of the Contractor's subcontractors or vendors, as necessary to meet its needs, Contractor agrees to reasonably, and with good-faith, work with the State to use the Services of Contractor's subcontractors or vendors. Contractor will notify all of Contractor's subcontractors of procedures to be followed during transition.

(b) Information - 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.



(d) Payment - If the transition results from a termination for any reason, reimbursement shall be governed by the termination provisions of this Contract. If the transition results from expiration, the Contractor will be reimbursed for all reasonable transition costs (i.e. costs incurred within the agreed period after contract expiration that result from transition operations) at the rates specified by **Article 1, Attachment A**. The Contractor will prepare an accurate accounting from which the State and Contractor may reconcile all outstanding accounts.

2.219 State Transition Responsibilities

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

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

2.220 Termination by Contractor

2.221 Termination by Contractor

If the State breaches its obligation to pay Contractor undisputed amounts due and owing under this Contract in accordance with **Section 2.090**, or if the State breaches its other obligations under this Contract to an extent that makes it impossible or commercially impractical for Contractor to perform the Services, and if the State does not cure the breach within the time period specified in a written notice of breach provided to the State by Contractor (such time period not to be less than 30 days), then Contractor may terminate this Contract, in whole or in part based on Statement of Work for cause, as of the date specified in the notice of termination; provided, however, that Contractor must discharge its obligations under **Section 2.250** before any such termination.

2.230 Stop Work

2.231 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 shall be specifically identified as such and shall indicate that it is issued under this **Section 2.230**. Upon receipt of the stop work order, Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of 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 shall either: (a) cancel the stop work order; or (b) terminate the work covered by the stop work order as provided in **Section 2.210**.

2.232 Cancellation or Expiration of Stop Work Order

If a stop work order issued under this **Section 2.230** is canceled or the period of the stop work order or any extension thereof expires, Contractor shall resume work. The parties shall agree upon an equitable adjustment in the delivery schedule, the Contract price, or both, and the Contract shall 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 2.106**.

2.233 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, such termination shall be deemed to be a termination for convenience under **Section 2.212**, and the State shall allow reasonable costs resulting from the stop work order in arriving at the termination settlement. For the avoidance of doubt, the State shall not be liable to Contractor for loss of profits because of a stop work order issued under this **Section 2.230**.



2.240 *Reserved*

2.250 *Dispute Resolution*

2.251 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 shall 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 shall submit a letter executed by Contractor's Contract Administrator or his 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 supporting data provided with such an affidavit are current and complete to Contractor's best knowledge and belief.

2.252 Informal Dispute Resolution

(a) All operational disputes between the parties shall be resolved under the Contract Management procedures developed pursuant to **Section 2.100**. If the parties are unable to resolve any disputes after compliance with such processes, the parties shall meet with the Director of Purchasing Operations, DMB, or designee, for the purpose of attempting to resolve such dispute without the need for formal legal proceedings, as follows:

- (i) The representatives of Contractor and the State shall meet as often as the parties reasonably deem necessary in order 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 shall discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.
- (ii) During the course of negotiations, all reasonable requests made by one party to another for non-privileged information reasonably related to the Contract will be honored in order that each of the parties may be fully advised of the other's position.
- (iii) The specific format for the discussions will be left to the discretion of the designated State and Contractor representatives, but may include the preparation of agreed upon statements of fact or written statements of position.
- (iv) Following the completion of this process within sixty (60) calendar days, the Director of Purchasing Operations, DMB, or designee, shall issue a written opinion regarding the issue(s) in dispute within thirty (30) calendar days. The opinion regarding the dispute shall be considered the State's final action and the exhaustion of administrative remedies.

(b) This **Section 2.250** 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 pursuant to **Section 2.253**.

(c) The State will not mediate disputes between the Contractor and any other entity, except state agencies, concerning responsibility for performance of work pursuant to the Contract.

2.253 Injunctive Relief

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.252** is where a party makes a good faith determination that a breach of the terms of the Contract by the other party is such that the damages to such 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.

2.254 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 shall not be deemed to preclude performance) and without limiting either party's right to terminate the Contract as provided in **Section 2.210** and **2.220**, as the case may be.



2.260 Federal and State Contract Requirements

2.261 Nondiscrimination

In the performance of the Contract, Contractor agrees not to discriminate against any employee or applicant for employment, with respect to his or her hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability. Contractor further agrees to use reasonable efforts to require 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 pursuant to 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.

2.262 Unfair Labor Practices

Pursuant to 1980 PA 278, MCL 423.231, *et seq.*, the State shall 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 pursuant to 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, shall not enter into a contract with a Subcontractor, manufacturer, or supplier whose name appears in this register. Pursuant to section 4 of 1980 PA 278, MCL 423.324, the State may void any Contract if, subsequent to 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.

2.263 Workplace Safety and Discriminatory Harassment

In performing Services for the State, the Contractor shall 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 shall 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>.

2.270 Litigation

2.271 Disclosure of Litigation

(a) Disclosure. The Private Equity Fund Services business unit of the 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 thereto, to which Contractor (or, to the extent Contractor is aware, any Subcontractor hereunder) 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 hereunder; or (ii) a claim or written allegation of fraud against Contractor or, to the extent Contractor is aware, any Subcontractor hereunder by a governmental or public entity arising out of their business dealings with governmental or public entities. Any such litigation, investigation, arbitration or other proceeding (collectively, "Proceeding") must be disclosed in a written statement to the Contract Administrator within thirty (30) days of its occurrence. Details of settlements which are prevented from disclosure by the terms of the settlement may be annotated as such. Information provided to the State from Contractor's publicly filed documents referencing its material litigation will be deemed to satisfy the requirements of this Section.

(b) Assurances. In the event that any such Proceeding disclosed to the State pursuant to this Section, or of which the State otherwise becomes aware, during the term of this Contract would cause a reasonable party to be concerned about:

- (i) the ability of Contractor (or a Subcontractor hereunder) to continue to perform this Contract in accordance with its terms and conditions, or



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

(A) Contractor and/or its Subcontractors hereunder will be able to continue to perform this Contract and any Statements of Work in accordance with its terms and conditions, and

(B) Contractor and/or its Subcontractors hereunder have not and will not engage in conduct in performing the Services which is similar in nature to the conduct alleged in such Proceeding.

2.272 Governing Law

The Contract shall in all respects be governed by, and construed in accordance with, 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.

2.273 Compliance with Laws

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

2.274 Jurisdiction

Any dispute arising from the Contract shall 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 such jurisdiction on the grounds of lack of personal jurisdiction of such court or the laying of venue of such 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.

2.280 Environmental Provision

2.281 Environmental Provision

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



- (a) The Contractor shall use, handle, store, dispose of, process, transport and transfer any material considered a Hazardous Material in accordance with all federal, State and local laws. The State shall provide a safe and suitable environment for performance of Contractor's Work. Prior to the commencement of Work, the State shall advise Contractor of the presence at the work site of any Hazardous Material to the extent that the State is aware of such Hazardous Material. If the Contractor encounters material reasonably believed to be a Hazardous Material and which may present a substantial danger, the Contractor shall immediately stop all affected Work, give written notice to the State of 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 shall order a suspension of Work in writing. The State shall proceed to have the Hazardous Material removed or rendered harmless. In the alternative, the State shall terminate the affected Work for the State's convenience.
- (c) Once the Hazardous Material has been removed or rendered harmless by the State, the affected Work shall be resumed as directed in writing by the State. Any determination by the Michigan Department of Community Health and/or the Michigan Department of Environmental Quality (whichever is applicable) that the Hazardous Material has either been removed or rendered harmless shall be binding upon the State and Contractor for the purposes of resuming the Work. If any such incident with Hazardous Material results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in **Section 2.076** for a time as mutually agreed by the parties.
- (d) If the Hazardous Material was brought to the site by the Contractor, or results in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Material, or from any other act or omission within the control of the Contractor, the Contractor shall bear its proportionate share of the delay and costs involved in cleaning up the site and removing and rendering harmless the Hazardous Material in accordance with Applicable Laws to the condition approved by applicable regulatory agency(ies). If the Contractor fails to take appropriate action pursuant to Applicable Laws and consistent with the State requirements, then the State may take appropriate action.

2.290 *General*

2.291 Amendments

The Contract may not be modified, amended, extended, or augmented, except by a writing executed by the parties.

2.292 Assignment

- (a) Neither party shall have the right to assign the Contract, or to 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 (which consent shall not be unreasonably withheld); 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 such affiliate is adequately capitalized and can provide adequate assurances that such affiliate can perform the Contract. Any purported assignment in violation of this Section shall be null and void. It is the policy of the State of Michigan to withhold consent from proposed assignments, subcontracts, or novations when such transfer of responsibility would operate to decrease the State's likelihood of receiving performance on the Contract or the State's ability to recover damages.
- (b) Contractor may not, without the prior written approval of the State, assign its right to receive payments due under the Contract. In the event of any such permitted assignment, Contractor shall not be relieved of its responsibility to perform any duty imposed upon it herein, and the requirement under the Contract that all payments shall be made to one entity shall continue.

2.293 Entire Contract; Order of Precedence

- (a) The Contract, including any Statements of Work and Exhibits, to the extent not contrary to the Contract, each of which is incorporated for all purposes, constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior agreements, whether written or oral, with respect to such subject matter and as additional terms and conditions on the purchase order shall apply as limited by **Section 2.061**.



(b) In the event of any inconsistency between the terms of the Contract and a Statement of Work, the terms of the Statement of Work will take precedence (as to that Statement of Work only); provided, however, that a Statement of Work may not modify or amend the terms of **Sections 2.110 through 2.220** of the Contract, which may be modified or amended only by a formal Contract amendment.

2.294 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.

2.295 Relationship of the Parties (Independent Contractor Relationship)

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 shall be or shall 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.

2.296 Notices

(a) Any notice given to a party under the Contract shall be deemed effective, if addressed to such 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 (3rd) 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
Office of Purchasing Operations
Attention: Jim Wilson
PO Box 30026
530 West Allegan
Lansing, Michigan 48909

Contractor(s):

JPMorgan Chase Bank, N.A.
Attn: John F. Weeda
Private Equity Fund Services
1 Chase Manhattan Plaza, 17th Floor
New York, NY 10005

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

(b) Binding Commitments

Representatives of Contractor identified in **Article 1, Attachment B** shall have the authority to make binding commitments on Contractor's behalf within the bounds set forth in such table. Contractor may change such representatives from time to time upon written notice.

2.297 Media Releases and Contract Distribution

(a) Media Releases

Neither Contractor nor the State will make any news releases, public announcements or public disclosures, nor will they have any conversations with representatives of the news media, pertaining to the Contract, the Services or the Contract without the prior written approval of the other party, and then only in accordance with explicit written instructions provided by that party. In addition, neither Contractor nor the State will use the name, trademarks or other proprietary identifying symbol of the other party or its affiliates without such party's prior written consent. Prior written consent of the Contractor must be obtained from authorized representatives.

(b) Contract Distribution

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

**2.298 Reformation and Severability**

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

2.299 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, such consent or approval shall be in writing and shall not be unreasonably withheld or delayed.

2.300 No Waiver of Default

The failure of a party to insist upon strict adherence to any term of the Contract shall not be considered a waiver or deprive the party of the right thereafter to insist upon strict adherence to that term, or any other term, of the Contract.

2.301 Survival

Any provisions of the Contract that impose continuing obligations on the parties including the parties' respective warranty, indemnity and confidentiality obligations, shall 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.

2.302 Covenant of Good Faith

Each party agrees that, in its dealings with the other party or in connection with the Contract, it shall 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.

2.303 Permits

Contractor shall 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 shall pay for all costs and expenses incurred in obtaining and maintaining any necessary easements or right of way.

2.304 Website Incorporation

State expressly states that it will not be 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 such content and has expressly agreed to be bound by it in a writing that has been manually signed by an authorized representation of the State.

2.305 Taxes

Vendors are expected to collect and pay all applicable federal, state, and local employment taxes, including the taxes defined in Section 3.022 for all persons involved in the resulting Contract.

The State may refuse to award a contract to any Vendor who has failed to pay any applicable State taxes. The State may refuse to accept Vendor's bid, if Vendor has any outstanding debt with the State. Prior to any award, the State will verify whether Vendor has any outstanding debt with the State.

2.306 Prevailing Wage- RESERVED**2.307 Call Center Disclosure- RESERVED**

**2.308 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 Contractor if the State determines that the Contractor has used its position (whether as an incumbent Contractor, or as a Contractor hired to assist with the RFP development, or as a Vendor offering free assistance) to gain a leading edge on the competitive RFP.

2.310 Reserved

2.320 Extended Purchasing

2.321 MiDEAL- RESERVED**2.322 State Employee Purchases - RESERVED**

2.330 Federal Grant Requirements

2.331 Federal Grant Requirements - RESERVED