Form No. DTMB-3521 (Rev. 4/2012)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract change will not be executed unless form is filed

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

CHANGE NOTICE NO. 6

to

CONTRACT NO. 071B8200124

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
INS Regulatory Insurance Services, Inc.	Alan Shaw	ashaw@insconsultants.org
419 South 2nd Street, New Market Suite 206	TELEPHONE	CONTRACTOR #, MAIL CODE
Philadelphia, PA 19147	(215) 625-2927	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	DHS	Regan Johnson	(517) 335-4350	johnsonr3@michigan.gov
BUYER	DTMB	Lance Kingsbury	(517) 241-3768	kingsburyl@michigan.gov

CONTRACT SUMMARY:

Market Conduct Examinations of Insurance Companies – Department of Licensing and Regulatory Affairs, Office of Financial and Insurance Regulation

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
April 2, 2008	March 31, 2011	2, 1 yr. options	March 31, 2013
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 30	Delivered	N/A	N/A

ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
☐ P-card	☐ Direct Voucher (DV)	☐ Other	☐ Yes ☒ No

MINIMUM DELIVERY REQUIREMENTS:

N/A

DESCRIPTION OF CHANGE NOTICE:

EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
☐ No ☒ Yes	☐	☒	5 Months	August 31, 2013

VALUE/COST OF CHANGE NOTICE:	ESTIMATED REVISED AGGREGATE CONTRACT VALUE:
$0.00	$201,920.00

Per Vendor approval dated 3/19/13 and Adboard approval dated 3/19/13, this Contract is extended through 8/31/13. All other terms, conditions, specifications and pricing remain unchanged.

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

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY MANAGEMENT AND BUDGET **February 8, 2012**
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 5
TO
CONTRACT NO. 071B8200124
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR: **INS Regulatory Insurance Services, Inc.** **419 South 2nd Street, New Market Suite 206** **Philadelphia, PA 19147** **ashaw@insconsultants.org**	TELEPHONE (215) 625-2927 **Alan E. Shaw** CONTRACTOR NUMBER/MAIL CODE BUYER/CA (517) 241-3768 **Lance Kingsbury**
Contract Compliance Inspector: Regan Johnson - 517.335.4350 **Market Conduct Examinations of Insurance Companies - Department of Labor & Economic Growth - Office of Financial and Insurance Regulation**	
CONTRACT PERIOD: From: **April 2, 2008** To: **March 31, 2013**	
TERMS **Net 30**	SHIPMENT **N/A**
F.O.B. **Delivered**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

NATURE OF CHANGE(S):

Effective immediately, this contract is EXTENDED to March 31, 2013. All other terms, conditions, pricing and specifications remain unchanged.

AUTHORITY/REASON:

Per agency/vendor agreement and DTMB Procurement approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $201,920.00

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

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY MANAGEMENT AND BUDGET December 20, 2011
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 4
TO
CONTRACT NO. 071B8200124
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR:	TELEPHONE (215) 625-2927 **Alan E. Shaw**
INS Regulatory Insurance Services, Inc. **419 South 2nd Street, New Market Suite 206** **Philadelphia, PA 19147** **ashaw@insconsultants.org**	CONTRACTOR NUMBER/MAIL CODE BUYER/CA (517) 241-3768 **Lance Kingsbury**
Contract Compliance Inspector: Regan Johnson - 517.335.4350 **Market Conduct Examinations of Insurance Companies - Department of Labor & Economic Growth - Office of Financial and Insurance Regulation**	
CONTRACT PERIOD: From: **April 2, 2008**	To: **March 31, 2012**
TERMS **Net 30**	SHIPMENT **N/A**
F.O.B. **Delivered**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

NATURE OF CHANGE(S):

Effective immediately, $88,600.00 is added to this Contract for a Market Conduct Exam. All other terms, conditions, pricing and specifications remain unchanged.

AUTHORITY/REASON:

Per agency and vendor agreement and DTMB Procurement approval.

INCREASE: $88,600.00

TOTAL REVISED ESTIMATED CONTRACT VALUE: $290,520.00

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

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY MANAGEMENT AND BUDGET **April 12, 2011**
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 3
TO
CONTRACT NO. 071B8200124
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR: **INS Regulatory Insurance Services, Inc.** **419 South 2nd Street, New Market Suite 206** **Philadelphia, PA 19147** **ashaw@insconsultants.org**	TELEPHONE (215) 625-2927 **Alan E. Shaw** CONTRACTOR NUMBER/MAIL CODE BUYER/CA (517) 241-3768 **Lance Kingsbury**
Contract Compliance Inspector: Regan Johnson - 517.335.4350 **Market Conduct Examinations of Insurance Companies - Department of Labor & Economic Growth - Office of Financial and Insurance Regulation**	
CONTRACT PERIOD: From: **April 2, 2008** To: **March 31, 2012**	
TERMS **Net 30**	SHIPMENT **N/A**
F.O.B. **Delivered**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

NATURE OF CHANGE(S):

Effective immediately, this contract is EXTENDED to March 31, 2012. All other terms, conditions, pricing and specifications remain unchanged.

AUTHORITY/REASON:

Per agency/vendor agreement and DMB/Purchasing Operations' approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $201,920.00

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

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

April 15, 2009

CHANGE NOTICE NO. 2
TO
CONTRACT NO. 071B8200124
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR: **INS Regulatory Insurance Services, Inc.** **419 South 2nd Street, New Market Suite 206** **Philadelphia, PA 19147** **ashaw@insconsultants.org**	TELEPHONE (215) 625-2927 **Alan E. Shaw** CONTRACTOR NUMBER/MAIL CODE BUYER/CA (517) 241-3768 **Lance Kingsbury**
Contract Compliance Inspector: Regan Johnson - 517.335.4350 **Market Conduct Examinations of Insurance Companies - Department of Labor & Economic Growth - Office of Financial and Insurance Regulation**	
CONTRACT PERIOD: From: **April 2, 2008** To: **March 31, 2011**	
TERMS **Net 30**	SHIPMENT **N/A**
F.O.B. **Delivered**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

NATURE OF CHANGE(S):

Effective April 15, 2009, funds in the amount of $108,360.00 are hereby added to this Contract for a Market Conduct Examination project per attached statement of work (see attachments). All other terms, conditions, and specifications remain unchanged.

AUTHORITY/REASON:

Per agency/vendor agreement and DMB/Purchasing Operations' approval.

REVISED CURRENT AUTHOIRZED SPEND LIMIT: $201,920.00

INS Regulatory Insurance Services, Inc.
Regulatory Consultants

New Market
Suite 206
419 S. 2nd Street
Philadelphia, PA 19147
Phone: (215) 625-2927
Fax: (215) 625-8323

Rodney Building
2nd Floor
841 Silver Lake Blvd.
Dover, DE 19904
Phone: (302) 678-2444
Fax: (302) 678-4822

March 4, 2009

Ms. Lynell Cauther
Departmental Analyst
Office of Financial and Insurance Regulation – Market Conduct Unit

Sent Via Email to: OFIR-MKT-BIDS@michigan.gov

Dear Ms. Cauther;

INS Regulatory Insurance Services, Inc. (InsRis) is pleased to submit this proposal to perform a target market conduct examination of Golden Rule Insurance Company (Company). The focus of the targeted examination will be on health claim appeal process, complaint handling and payment of claims.

Herein you will find our approach as well as the total projected cost for this examination.

Examination Approach

Examinations will be conducted in accordance with the standards as outlined in the National Association of Insurance Commissioners (NAIC) Market Regulation Handbook, Michigan insurance laws regulations and/or bulletins, and Office of Financial and Insurance Regulation (OFIR) Examination Policies and Procedures.

We understand that Regan Johnson, Market Conduct Unit Manager will be supervising the examination and signing the report of examination for OFIR.

InsRis will provide a Certified Insurance Examiner (CIE) and/or a Market Conduct Management Specialist (MCM) to serve as Examiner-in-Charge (EIC). In addition, we will provide a staff of two market conduct examiners who are certified/accredited and/or experienced in market conduct examination procedures. The team will report to a Supervising Examiner with a MCM designation.

Our professionals are experienced in all phases of managing the market conduct examination process, and will be dedicated entirely to OFIR for the duration of your projects. Furthermore, if you are not completely satisfied with any InsRis professional we assign to your project, InsRis will provide an alternate professional with similar qualifications and experience, and will execute a seamless transition at no incremental cost to the company being examined.

Staffing and Timing of Examination

InsRis has assembled an extraordinarily knowledgeable team to conduct the examination of the Company. Our Supervising Examiner, Shelly G. Schuman, MCM, AIE, HIA, FLMI, ACS, provides market conduct and compliance services to state insurance departments, working closely with regulatory insurance agencies. For ten years prior to joining InsRis, Ms. Schuman worked for the National Association of Insurance Commissioners Market Regulation Division. InsRis' Examiner-in-Charge is Debra Boothby, CIE, AIRC, CLU, FLMI, who has served the regulatory community since 2002 and has over 4 years' experience in the insurance industry. Ms. Boothby is extremely familiar with Golden Rule Insurance Company, having been the Examiner-in-Charge of a prior market conduct examination of the Company. Her role in the examination is to provide on-site project management, planning, coordination and supervision of staff. Serving as Staff Examiners are Gwen Douglas and Heather Harley. Ms. Douglas has thirty-four years of regulatory experience, while Ms. Harley has thirteen years of insurance legal/compliance and marketing industry experience. The role of the staff examiners is to execute procedures as outlined in the NAIC Market Regulation Handbook.

Background and credentials, total amount of experience relevant to completing market conduct examinations, and specific experience relevant to the type of company being examined can be found in Appendix A – Resumes.

We are flexible regarding a start date for the examination of the Company, and are agreeable to any timeline requested by OFIR. We will commence the examination within ten days of the contract award, and complete the examination within two months of the start date.

Market Conduct Approach

Traditional examinations typically include a procedural review process in combination with a review of a random selection of files. InsRis' experienced teams of examiners are capable of conducting a market conduct examination of a health insurance company with a focus on health claim appeals process, complaint handling and claim processing.

InsRis has developed a Market Conduct Coordinator Handbook for examinations based on the NAIC's *Market Regulation Handbook.* The Coordinator Handbook forms the basis for examination design and can be tailored to reflect OFIR's specific market conduct laws, regulations and/or bulletins. It is designed to provide sufficient information to the company to ensure that the examination will be conducted as quickly and efficiently as possible.

Our market conduct examination is intended to be a study of how the company conducts its business. This includes a review of data and materials that allow conclusions to be made in the following areas:

- That the company is conducting its affairs in a reasonable manner which is fair to its customers;
- That its management controls are such that it can be expected to continue to operate safely; and
- That it is complying with the requirements of all applicable insurance laws, regulations and/or bulletins,

Once assigned a market conduct examination to perform, InsRis generally proceeds with the following work:

Preliminary Information Gathering

- Coordinate with Department Personnel
- Review any complaints received by OFIR
- Acquire other examination reports, if available

Designation of Coordinator and Contact

- EIC will contact the company to determine where examination materials are to be sent and whom the company will designate as Examination Coordinator.
- Deliver Coordinator Handbook to the company.
- Request that the company examination coordinator contact the EIC to confirm a pre-examination conference.

Pre-Examination Phase (Examination Scope)

- Our examiners/analysts perform a substantial amount of work prior to the on-site examination. InsRis analysis staff will conduct Baseline, Level 1 and Level 2 analysis of companies on behalf of the state as the state requests provided the state has not already completed those reviews. For more information about our market analysis expertise, please review the sections on Market Analysis and Market Analysis Approach within this document.
- As part of the pre-examination phase, InsRis staff will review the material provided in response to inquiries, review of the Annual Statement, review of reports, complaints and other material available within OFIR, and review of materials available from the NAIC, other jurisdictions and other sources.
- Review computer data provided by the company from which the examiners will select a sample of files to be tested. Claims, consumer complaint and appeal file selections will be forwarded to the company prior to the beginning of the on-site phase of the examination.

Pre-Examination Conference

- The pre-examination conference is held to discuss examination requirements and establish communications. The EIC conducts the pre-examination conference, which is normally scheduled within 15 to 30 days following delivery of the Coordinator Handbook and 15 to 60 days prior to the beginning of the on-site phase of the examination.

Examination Commencement

- The on-site phase of the examination will begin at the location(s) where company records are maintained. This may include the home office, branch office or regional office, claims office, producer's office, MGA or TPA offices, parent offices, etc.
- Generally, internal audit reports, minutes of board of director meetings, producer files and producer training materials will be requested for review on-site.
- Our examiners will review internal audit and self-critical analysis documents.
- Examiners will organize the responses to the information requests and review for completeness, responsiveness and content, as well as compliance with Department laws, regulations and/or bulletins. Appropriate responses are scanned into the computer as workpapers to support the examination at conclusion.
- Issues are presented in the form of a written error sheet or a written memorandum that, in each case, requires a written response from the company.

Examination Completion and Workpapers

- An exit conference will be scheduled by the EIC near the completion of the on-site examination to discuss findings and pertinent issues.
- Upon completion of the examination, InsRis will prepare a Report of Examination. InsRis will provide a complete explanation of critical examination areas and the development and rationale for

any recommendations and/or comments. The team will provide timely updates and/or revisions to the written Report of Examination as required by OFIR.

- The EIC will provide OFIR with a complete set of original workpapers with the necessary supporting documentation of the work performed. This can be in paper form or electronically in accordance with OFIR's requirements. InsRis staff is proficient in the use of the TeamMate software recommended by the NAIC.
- InsRis will provide testimony at any administrative or other proceeding arising out of the examination, as requested by OFIR.

Project Timetable

Upon award of a project, InsRis will begin preparations and preliminary information gathering. The goal is to distribute a Coordinator's Handbook to the company as quickly as possible, as it is essential that the company be allowed ample time to compile the required information. A pre-planning conference will then be scheduled.

The Coordinator Handbook forms the basis for examination design and can be tailored to reflect Michigan market conduct laws, regulations and/or bulletins. It is designed to provide sufficient information to the company to ensure that the examination will be conducted as quickly and efficiently as possible. The examination design varies by the type of entity under review, the areas of review and other factors such as the use of third party administrators or managing general agents. Put simply, our examination work plans are custom designed to accommodate the specific nuances of the examination.

InsRis will also provide a preliminary time budget that takes into consideration whether:

- Work will be performed in single/multiple locations
- The company's ability to cooperate
- Some aspects of the examination can be combined

Technology

To maximize the use of technology, our market conduct examiners utilize TeamMate or other state-specific tools to document responses to inquires. Workpapers are prepared and stored electronically. A written report is provided, disclosing all issues noted during the examination. The report format is flexible and will be prepared according to Michigan's own requirements.

Resolving Problems

All potential issues will be reported to Michigan and InsRis Senior Management.

InsRis recognizes the need for internal monitoring and has procedures and processes in place to ensure the completion of the examination and faithful performance of the contract. Our EIC manages the examination on a daily basis, reviews the work of the staff examiners and is the point person for all issues. InsRis assigns a Supervisor to every examination to ensure our internal quality control and the timely completion of the examination. Senior Management closely monitors the status of all examinations assigned to InsRis by Michigan. Our EIC will submit weekly progress reports to our Supervisor and Senior Management, which include a detailed budget, examination notes and findings, and other pertinent data and information.

Furthermore, we will provide the Market Conduct Manager with weekly telephone updates and monthly written updates on the progress of the examination, including examination findings to date, any delays in receiving necessary supporting records from the Company, and any problems that may have occurred.

The EIC will identify potential problems and issues, such as findings of noncompliance with Michigan laws and regulations, corporate governance concerns, weak internal control, or significant errors and deficiencies in the market conduct records, and report this information to our Supervisor for resolution. If not resolved at that level, our Supervisor will report the issue(s) to the Senior Management for final resolution. Not withstanding the aforementioned, all issues inhibiting the timely completion of the examination will be reported immediately to Michigan's Market Conduct Manger and/or their designee for consultation and resolution. Our personnel will be accessible, responsive and committed to ensuring that issues are addressed to the satisfaction of Michigan in a timely manner.

The subsequent spreadsheet is a task-oriented breakdown used by InsRis for conducting market conduct examinations. Please keep in mind that each examination is unique and slight modifications may result from the line(s) of business being reviewed, the type of examination, the scope of the examination and individual state statutes. InsRis utilizes the following examination plan to oversee all types of examinations, regardless of the scope.

Market Conduct Examination Plan

Preliminary Information Gathering	
❖	Discuss the issue with the various divisions within OFIR to determine their concerns regarding the issue(s) to be examined or the Company(ies) to be examined.
❖	Determine the lines of business to be examined
❖	Determine whether the examination is routine, comprehensive (full-scope), targeted, limited, a multistate or a re-examination
❖	Acquire previous examination reports from the state (if available)
❖	Review all Department complaints related to the issue(s) to be examined or related to the Company (ies) to be examined.
Designation of Coordinator and Contact	
❖	EIC will contact the company to determine where examination materials are to be sent and whom the company will designate as Examination Coordinator.
❖	Ensure complete instructions are provided to the company for any data requests along with the coordinators handbook, specifying deadline for receipt of the information.
❖	Deliver Coordinator Handbook to the company.
❖	Request that the company examination coordinator contact the EIC to confirm a pre-examination conference.
Pre-examination phase (Determining Examination Scope)	
❖	Conduct a complaint analysis of the complaints listed with the NAIC.
❖	Review any recent Level 1 or Level 2 reviews conducted by OFIR or other States.
❖	Conduct Level 1 or 2 reviews, if warranted.
❖	Review of the Financial Annual Statement and IRIS ratios.

❖	Review of the Market Conduct Annual Statement Data (if collected and provided by the state).
❖	Review any recent rate filings and policy form submissions, if relevant to the issue(s)/Company (ies).
❖	If pertinent to the issue(s)/Company (ies), review Department statutes and regulations, internal analysis, market share analysis, NAIC reports, financial-related information, and other relevant information.
❖	Review ETS for any recently called or concluded examinations. Review all recently issued reports – determine if any of the same or similar concerns or issues has been identified by another state and determine if the Company has been ordered to implement any corrective actions. Determine if these corrective actions impact OFIR.
❖	If the examinations are Company specific – determine the scope of the examination. Is the focus of the examination to be on Domestics only or all Companies writing in the State.
❖	If the examinations are issue driven – determine which Companies merit an examination and the scope of the examination.
❖	Review computer data provided by the company (if available) from which the examiners will select a sample of files to be tested. • Validate this data and test for accuracy and completeness. • (Policy, claims, and producers and consumer complaint sample selections will be forwarded to the company prior to the beginning of the on-site phase of the examination).
❖	Further identify the subject area(s) of the examination in terms of the lines of business to be covered and the functional area: marketing and sales, underwriting, claims, etc.
❖	Further identify the specific review to be performed for each line of business
❖	Estimate the number of reviews and project the sample size for each
❖	Estimate the length of time required for the examination (start and end dates)
❖	Finalize scope statement.
❖	Determine the number of examiners and other resource requirements
❖	Determine tentative schedule (time frame and sequence of examination events)
❖	Define any data requests and document requests that may be needed from the company prior to the on-site portion of the examination
❖	Confirm the examination has been entered by the state into the NAIC Examination Tracking System (ETS)
❖	Issue examination call to invite other states to participate and notify MAWG (Only if examination is determined to be a multistate)
❖	Additional planning of the examination (if determined to be a multistate)

Pre-examination conference (conducted by EIC)	
❖	Establish conference call date (within 15 to 30 days following delivery of the Coordinator Handbook and 15 to 60 days prior to the beginning of the on-site phase of the examination
❖	Confirm availability of all required for attendance
❖	Conduct the call of examination requirements • Procedures for handling questions presented by the examiners and the subsequent company responses • Introduction of the examiners participating in the examination (if known) and identification of the specific areas each will be reviewing • Estimated time for the on-site examination • Outline of the timeframe for steps following the on-site examination • Identify examination coordinator contact at the company • Define document handling procedures • Discuss pertinent information about the company work environment for the examination team • Request copies of previous examinations and internal audit reports • Arrange for security access and working space for the examination team • Review company recordkeeping and computer systems • Clarify the locations for the examination(s) (if known) • Discuss working hours and travel arrangements
Examination Commencement	
❖	Confirm with examination coordinator the document handling procedures, procedures for handling questions and appointed contact people for the examiner(s)
❖	Confirm with examination coordinator progress on timeline and document any reasons for delays
❖	Review minutes from board of directors meetings (if applicable to examination scope)
❖	Review policy files (if applicable to examination scope)
❖	Review producer files (if applicable to examination scope)
❖	Review producer training materials (if applicable to examination scope)
❖	Review claims files (if applicable to examination scope)
❖	Review complaint files (if applicable to examination scope)

❖	Review internal audit and self critical analysis documents (if applicable to examination scope)
❖	Review any other documentation as required by the scope of the examination
❖	Compile issues that require a written response from the company
Examination Completion and Workpapers	
❖	Schedule exit conference to discuss findings and pertinent issues
❖	Conduct exit conference
❖	Prepare examination report
❖	Provide OFIR with a complete set of original workpapers, including supporting documentation of the work performed.

References: The NAIC's *Market Regulation Handbook* and the NAIC's *Core Competency Guidelines,* as well as the IRES MCM Designation book on the *Best Practices of Conducting Market Conduct Examinations.*

Note: The above Examination Plan can be tailored to address either a specific line of business or a specific Company.

Results of the examinations will be communicated in the formal Reports of Examination.

Projected Cost

Expected cost assumes full cooperation by, and timely receipt of information from, the Company. Actual cost may be higher or lower based on significant findings, OFIR's expansion/reduction of the workplan procedures, and/or the degree of cooperation from the Company. Because one of our proposed staff examiners resides in the metropolitan Indianapolis, Indiana area, overall expenses will be reduced. Total cost takes into consideration certain factors that are beyond the direct control of InsRis. These include, but are not limited to, those circumstances mentioned above.

The current hourly rates for market conduct examiners by classification follow:

	Proposed Hours	Hourly Fee	Total
Supervising Examiner	72	$ 155	$ 11,160
Examiner-in-Charge	280	$ 140	$ 39,200
Staff Examiner	200	$ 115	$ 23,000
Staff Examiner	200	$ 115	$ 23,000
Total Fees	752		$ 96,360
Airfare			$ 3,000
Lodging and Meals			$ 8,500
Local Transportation			$ 500
Total Expenses			$ 12,000
Total Fees and Expenses			$ 108,360

We appreciate the opportunity to submit this proposal. If you have any questions or need additional information, please call me at (215) 625-2927. I look forward to hearing from you.

Sincerely,

Michael B. Kogut, CPA

Michael B. Kogut, CPA
Chief Operating Officer

Work Statement for Golden Rule

The Office of Financial and Insurance Regulation (OFIR) has determined that a market conduct examination should be conducted on Golden Rule for the examination period of January 1, 2007 through December 31, 2007. During the course of the examination, the contractor will be responsible for assisting OFIR in determining the Company's compliance with the Michigan Insurance Code, Bulletins and Rules. The focus of the targeted examination will be on the Company's health claim appeals process, complaint handling and payment of claims. The contractor will be responsible for performing this examination under the direction of the Market Conduct Manager and in accordance with NAIC market conduct guidelines.

An examination start date will begin 30 days after the date that the contract is awarded. Within 10 working days of the contract award, the contractor will submit a work plan to the OFIR Market Conduct manager for approval. The examination will be completed no later than 2 months after the examination start date. Regan Johnson, Market Conduct Unit Manager, will be supervising the examination for OFIR. The contractor is expected to provide the market conduct manager with weekly telephone updates and monthly written updates on the progress of the examination, including any delays in receiving necessary supporting records from the Company. The Market Conduct Manager and contractor will also speak on a weekly or biweekly basis to discuss the progress of the examination, examination findings to date and any problems that may have occurred. This meeting may be held by phone conference at the discretion of the manager. The contractor is to immediately contact the Market Conduct manager if problems arise. The manager, or a designated staff person, may make on-site visits, as necessary, to monitor the progress of the examination and/or to review completed work papers. The contractor should not disclose any exceptions/findings to the insurance company until the Manager reviews the work-papers and authorizes the contractor to discuss any issues with the Companies.

OFIR will supervise this examination with the Manager signing the report of examination. We need the contractor to provide staff to conduct the examination work under our supervision and expect the contractor to provide adequate, knowledgeable supervisory personnel to monitor the examination process and work produced by its staff. Also, the contractor is expected to assign a senior person experienced in insurance that will remain on the examination full time.

The following is a brief description of the Company's operations:

Golden Rule has an A.M. Best rating of A. The company was authorized in Michigan on December 10, 1980. The Golden Rule consolidated group of companies is owned by UnitedHealth Group, Incorporated. The company markets life, annuity, and accident and health policies in 49 states and the accident and health revenues are primarily derived from the sale of individual major medical policies. A review of the complaints received in Michigan shows a steady pattern of complaints from 2005 through 2007 and continuing to the present.

All work-papers of the contractor will be the property of OFIR. The contractor is to provide all the work-papers to OFIR within 14 days of the final exit conference with the Company, unless otherwise agreed upon by the Market Conduct Manager. All work- papers should include findings and recommendations where appropriate, that cross reference to detail supporting the findings. Sample size justification must be documented. The contractor is reminded that all information and work papers obtained under an examination are confidential under Section 222 of the Michigan Insurance Code.

Your quotation must include the dates by which the examination of the company will begin and be completed, assigned staff information including name, background and credentials, total amount of experience relevant to completing market conduct examination and specific experience relevant to the type of company being examined. Your quotation must also include a detail of costs including staff assigned to the project, estimated hours assigned for each staff person, the hourly rate per staff person travel costs and total projected costs for examination.

The Contractor must develop a specific examination plan for the Company by using the NAIC Market Conduct Handbook, and must include a description of tests which the Contractor will use to determine compliance with Michigan laws, regulations and bulletins and an elapsed time and worker-hours budget, the specific examination dates, from start date to completion date and all the individual staff assigned to the exam, areas each individual will be assigned to and the estimated number of hours each individual will participate in the examination.

To bid on this examination, prepare and submit your bid in electronic format (i.e. Microsoft Word, Adobe Acrobat PDF) via e-mail to OFIR by 5pm, March 6, 2009. Responses received after this date and time will not be considered.

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

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

November 3, 2008

CHANGE NOTICE NO. 1
TO
CONTRACT NO. 071B8200124
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR: **INS Regulatory Insurance Services, Inc.** **419 South 2nd Street, New Market Suite 206** **Philadelphia, PA 19147** **ashaw@insconsultants.org**	TELEPHONE (215) 625-2927 **Alan E. Shaw** CONTRACTOR NUMBER/MAIL CODE BUYER/CA (517) 241-3768 **Lance Kingsbury**
Contract Compliance Inspector: Regan Johnson - 517.335.4350 **Market Conduct Examinations of Insurance Companies - Department of Labor & Economic Growth - Office of Financial and Insurance Regulation**	
CONTRACT PERIOD: From: **April 2, 2008**	To: **March 31, 2011**
TERMS **Net 30**	SHIPMENT **N/A**
F.O.B. **Delivered**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

NATURE OF CHANGE(S):

Effective October 30, 2008, funds in the amount of $93,560.00 are hereby added to this Contract for a Market Conduct Examination project per attached statement of work (see attachments). All other terms, conditions, and specifications remain unchanged.

AUTHORITY/REASON:

Per agency/vendor agreement and DMB/Purchasing Operations' approval.

REVISED CURRENT AUTHOIRZED SPEND LIMIT: $93,560.00

Work Statement for American Community Mutual

The Office of Financial and Insurance Regulation (OFIR) has determined that a market conduct examination should be conducted on American Community Mutual Insurance Company (ACM) for the examination period of January 1, 2007 through December 31, 2007. During the course of the examination, the contractor will be responsible for assisting OFIR in determining the Company's compliance with the Michigan Insurance Code, Bulletins and Rules. The focus of the targeted examination will be on company complaint handling and payment of claims. The contractor will be responsible for performing this examination under the direction of the Market Conduct Manager and in accordance with NAIC market conduct guidelines.

An examination start date will begin 30 days after the date that the contract is awarded. Within 10 working days of the contract award, the contractor will submit a work plan to the OFIR Market Conduct manager for approval. The examination will be completed no later than 2 months after the examination start date. Regan Johnson, Market Conduct Unit Manager, will be supervising the examination for OFIR. The contractor is expected to provide the market conduct manager with weekly telephone updates and monthly written updates on the progress of the examination, including any delays in receiving necessary supporting records from the Company. The Market Conduct Manager and contractor will also speak on a weekly or biweekly basis to discuss the progress of the examination, examination findings to date and any problems that may have occurred. This meeting may be held by phone conference at the discretion of the manager. The contractor is to immediately contact the Market Conduct manager if problems arise. The manager, or a designated staff person, may make on-site visits, as necessary, to monitor the progress of the examination and/or to review completed work papers. The contractor should not disclose any exceptions/findings to the insurance company until the Manager reviews the work-papers and authorizes the contractor to discuss any issues with the Companies.

OFIR will supervise this examination with the Manager signing the report of examination. We need the contractor to provide staff to conduct the examination work under our supervision and expect the contractor to provide adequate, knowledgeable supervisory personnel to monitor the examination process and work produced by its staff. Also, the contractor is expected to assign a senior person experienced in insurance that will remain on the examination full time.

The following is a brief description of the Company's operations:

American Community Mutual has a B+ A.M. Best rating. The company was authorized in Michigan in 1947. Between 2005 and 2006, the president and treasurer of the company changed. The company markets individual and group managed care products, group major medical, short term medical, health savings accounts, dental, group vision and weekly income products in Michigan (30.5% of net premium) and additionally markets these products in 6 other states. The company is currently licensed in 40 states.

A review of the complaints received in Michigan shows a steady pattern of complaints from 2005 through 2006 with an increase in complaints beginning in late 2007 and continuing to the present. ACM had a decrease in cash and invested assets of approximately $12.3 million during 2006 resulting from the use of cash and invested assets to fund operations during 2006. In 2007, ACM formed a new subsidiary, Precedent Holding Company, to market some of the Company's consumer choice products through direct marketing channels. The start up costs of these products have been significant.

All work-papers of the contractor will be the property of OFIR. The contractor is to provide all the work-papers to OFIR within 14 days of the final exit conference with the Company, unless otherwise agreed upon by the Market Conduct Manager. All work-papers should include findings and recommendations where appropriate, that cross reference to detail supporting the findings. Sample size justification must be documented. The contractor is reminded that all information and work papers obtained under an examination are confidential under Section 222 of the Michigan Insurance Code.

Your quotation must include the dates by which the examination of the company will begin and be completed, assigned staff information including name, background and credentials, total amount of experience relevant to completing market conduct examination and specific experience relevant to the type of company being examined. Your quotation must also include a detail of costs including staff assigned to the project, estimated hours assigned for each staff person, the hourly rate per staff person travel costs and total projected costs for examination.

The Contractor must develop a specific examination plan for the Company by using the NAIC Market Conduct Handbook, and must include a description of tests which the Contractor will use to determine compliance with Michigan laws, regulations and bulletins and an elapsed time and worker-hours budget, the specific examination dates, from start date to completion date and all the individual staff assigned to the exam, areas each individual will be assigned to and the estimated number of hours each individual will participate in the examination.

To bid on this examination, prepare and submit your bid in electronic format (i.e. Microsoft Word, Adobe Acrobat PDF) via e-mail to OFIR by 5:00 pm, September 22, 2008. Responses received after this date and time will not be considered.

INS Regulatory Insurance Services, Inc.
Regulatory Consultants

New Market
Suite 206
419 S. 2nd Street
Philadelphia, PA 19147
Phone: (215) 625-2927
Fax: (215) 625-8323

Rodney Building
2nd Floor
841 Silver Lake Blvd.
Dover, DE 19904
Phone: (302) 678-2444
Fax: (302) 678-4822

September 17, 2008

Ms. Lynell Cauther
Departmental Analyst
Office of Financial and Insurance Regulation – Market Conduct Unit

Sent Via Email to: OFIR-MKT-BIDS@michigan.gov

Dear Ms. Cauther;

INS Regulatory Insurance Services, Inc. (InsRis) is pleased to submit this proposal to perform a target market conduct examination of American Community Mutual Insurance Company (Company). The focus of the targeted examination will be on complaint handling and payment of claims.

Herein you will find our approach as well as the total projected cost for this examination.

Examination Approach

Examinations will be conducted in accordance with the standards as outlined in the National Association of Insurance Commissioners (NAIC) Market Regulation Handbook, Michigan insurance laws regulations and/or bulletins, and Office of Financial and Insurance Regulation (OFIR) Examination Policies and Procedures.

We understand that Regan Johnson, Market Conduct Unit Manager will be supervising the examination and signing the report of examination for OFIR.

InsRis will provide a Certified Insurance Examiner (CIE) and/or a Market Conduct Management Specialist (MCM) to serve as Examiner-in-Charge (EIC). In addition, we will provide a staff of two market conduct examiners who are certified/accredited and/or experienced in market conduct examination procedures. The team will report to a Supervising Examiner with a MCM designation.

Our professionals are experienced in all phases of managing the market conduct examination process, and will be dedicated entirely to OFIR for the duration of your projects. Furthermore, if you are not completely satisfied with any InsRis professional we assign to your project, InsRis will provide an alternate professional with similar qualifications and experience, and will execute a seamless transition at no incremental cost to the company being examined.

Staffing and Timing of Examination

InsRis has assembled an extraordinarily knowledgeable team to conduct the examination of the Company. Our Supervising Examiner, Shelly G. Schuman, MCM, AIA, FLMI, ACS, provides market conduct and compliance services to state insurance departments, working closely with regulatory insurance agencies. For ten years prior to joining InsRis, Ms. Schuman worked for the National Association of Insurance Commissioners Market Regulation Division. InsRis' Examiner-in-Charge is Roger Fournier, CIE, AIRC, who has served the regulatory community since 2004 and has over 10 years' experience in the insurance regulation industry. His role in the examination is to provide on-site project management, planning, coordination and supervision of staff. Serving as Staff Examiners, Cyndy Campbell, MCM, CIE, AIRC and Candace Reese have 22 years' combined experience. Their role is to execute procedures as outlined in the NAIC Market Regulation Handbook.

Background and credentials, total amount of experience relevant to completing market conduct examinations, and specific experience relevant to the type of company being examined can be found in Appendix A – Resumes.

We are flexible regarding a start date for the examination of the Company, and are agreeable to any timeline requested by OFIR. We will commence the examination within ten days of the contract award, and complete the examination within two months of the start date.

Market Conduct Approach

Traditional examinations typically include a procedural review process in combination with a review of a random selection of files. InsRis' experienced teams of examiners are capable of conducting a market conduct examination of a health insurance company with a focus on complaint handling and claim processing.
InsRis has developed a Market Conduct Coordinator Handbook for examinations based on the NAIC's *Market Regulation Handbook*. The Coordinator Handbook forms the basis for examination design and can be tailored to reflect OFIR's specific market conduct laws, regulations and/or bulletins. It is designed to provide sufficient information to the company to ensure that the examination will be conducted as quickly and efficiently as possible.

Our market conduct examination is intended to be a study of how the company conducts its business. This includes a review of data and materials that allow conclusions to be made in the following areas:

- That the company is conducting its affairs in a reasonable manner which is fair to its customers;
- That its management controls are such that it can be expected to continue to operate safely; and
- That it is complying with the requirements of all applicable insurance laws, regulations and/or bulletins,.

Once assigned a market conduct examination to perform, InsRis generally proceeds with the following work:

Preliminary Information Gathering

- Coordinate with Department Personnel
- Review any complaints received by OFIR
- Acquire other examination reports, if available

Designation of Coordinator and Contact

- EIC will contact the company to determine where examination materials are to be sent and whom the company will designate as Examination Coordinator.
- Deliver Coordinator Handbook to the company.
- Request that the company examination coordinator contact the EIC to confirm a pre-examination conference.

Pre-Examination Phase (Examination Scope)

- Our examiners/analysts perform a substantial amount of work prior to the on-site examination. InsRis analysis staff will conduct Baseline, Level 1 and Level 2 analysis of companies on behalf of the state as the state requests provided the state has not already completed those reviews. For more information about our market analysis expertise, please review the sections on Market Analysis and Market Analysis Approach within this document.
- As part of the pre-examination phase, InsRis staff will review the material provided in response to inquiries, review of the Annual Statement, review of reports, complaints and other material available within OFIR, and review of materials available from the NAIC, other jurisdictions and other sources.
- Review computer data provided by the company from which the examiners will select a sample of files to be tested. Policy, claims, and producers and consumer complaint selections will be forwarded to the company prior to the beginning of the on-site phase of the examination.

Pre-Examination Conference

- The pre-examination conference is held to discuss examination requirements and establish communications. The EIC conducts the pre-examination conference, which is normally scheduled within 15 to 30 days following delivery of the Coordinator Handbook and 15 to 60 days prior to the beginning of the on-site phase of the examination.

Examination Commencement

- The on-site phase of the examination will begin at the location(s) where company records are maintained. This may include the home office, branch office or regional office, claims office, producer's office, MGA or TPA offices, parent offices, etc.
- Generally, internal audit reports, minutes of board of director meetings, producer files and producer training materials will be requested for review on-site.
- Our examiners will review internal audit and self-critical analysis documents.
- Examiners will organize the responses to the information requests and review for completeness, responsiveness and content, as well as compliance with Department laws, regulations and/or bulletins. Appropriate responses are scanned into the computer as workpapers to support the examination at conclusion.
- Issues are presented in the form of a written error sheet or a written memorandum that, in each case, requires a written response from the company.

Examination Completion and Workpapers

- An exit conference will be scheduled by the EIC near the completion of the on-site examination to discuss findings and pertinent issues.
- Upon completion of the examination, InsRis will prepare a Report of Examination. InsRis will provide a complete explanation of critical examination areas and the development and rationale for

any recommendations and/or comments. The team will provide timely updates and/or revisions to the written Report of Examination as required by OFIR.

- The EIC will provide OFIR with a complete set of original workpapers with the necessary supporting documentation of the work performed. This can be in paper form or electronically in accordance with OFIR's requirements. InsRis staff is proficient in the use of the TeamMate software recommended by the NAIC.
- InsRis will provide testimony at any administrative or other proceeding arising out of the examination, as requested by OFIR.

Project Timetable

Upon award of a project, InsRis will begin preparations and preliminary information gathering. The goal is to distribute a Coordinator's Handbook to the company as quickly as possible, as it is essential that the company be allowed ample time to compile the required information. A pre-planning conference will then be scheduled.

The Coordinator Handbook forms the basis for examination design and can be tailored to reflect Michigan market conduct laws, regulations and/or bulletins. It is designed to provide sufficient information to the company to ensure that the examination will be conducted as quickly and efficiently as possible. The examination design varies by the type of entity under review, the areas of review and other factors such as the use of third party administrators or managing general agents. Put simply, our examination work plans are custom designed to accommodate the specific nuances of the examination.

InsRis will also provide a preliminary time budget that takes into consideration whether:

- Work will be performed in single/multiple locations
- The company's ability to cooperate
- Some aspects of the examination can be combined

Technology

To maximize the use of technology, our market conduct examiners utilize TeamMate or other state-specific tools to document responses to inquires. Workpapers are prepared and stored electronically. A written report is provided, disclosing all issues noted during the examination. The report format is flexible and will be prepared according to Michigan's own requirements.

Resolving Problems

All potential issues will be reported to Michigan and InsRis Senior Management.

InsRis recognizes the need for internal monitoring and has procedures and processes in place to ensure the completion of the examination and faithful performance of the contract. Our EIC manages the examination on a daily basis, reviews the work of the staff examiners and is the point person for all issues. InsRis assigns a Supervisor to every examination to ensure our internal quality control and the timely completion of the examination. Senior Management closely monitors the status of all examinations assigned to InsRis by Michigan. Our EIC will submit weekly progress reports to our Supervisor and Senior Management, which include a detailed budget, examination notes and findings, and other pertinent data and information.

Furthermore, we will provide the Market Conduct Manager with weekly telephone updates and monthly written updates on the progress of the examination, including examination findings to date, any delays in receiving necessary supporting records from the Company, and any problems that may have occurred.

The EIC will identify potential problems and issues, such as findings of noncompliance with Michigan laws and regulations, corporate governance concerns, weak internal control, or significant errors and deficiencies in the market conduct records, and report this information to our Supervisor for resolution. If not resolved at that level, our Supervisor will report the issue(s) to the Senior Management for final resolution. Not withstanding the aforementioned, all issues inhibiting the timely completion of the examination will be reported immediately to Michigan's Market Conduct Manger and/or their designee for consultation and resolution. Our personnel will be accessible, responsive and committed to ensuring that issues are addressed to the satisfaction of Michigan in a timely manner.

The subsequent spreadsheet is a task-oriented breakdown used by InsRis for conducting market conduct examinations. Please keep in mind that each examination is unique and slight modifications may result from the line(s) of business being reviewed, the type of examination, the scope of the examination and individual state statutes. InsRis utilizes the following examination plan to oversee all types of examinations, regardless of the scope.

Market Conduct Examination Plan

Preliminary Information Gathering	
❖	Discuss the issue with the various divisions within OFIR to determine their concerns regarding the issue(s) to be examined or the Company(ies) to be examined.
❖	Determine the lines of business to be examined
❖	Determine whether the examination is routine, comprehensive (full-scope), targeted, limited, a multistate or a re-examination
❖	Acquire previous examination reports from the state (if available)
❖	Review all Department complaints related to the issue(s) to be examined or related to the Company (ies) to be examined.
Designation of Coordinator and Contact	
❖	EIC will contact the company to determine where examination materials are to be sent and whom the company will designate as Examination Coordinator.
❖	Ensure complete instructions are provided to the company for any data requests along with the coordinators handbook, specifying deadline for receipt of the information.
❖	Deliver Coordinator Handbook to the company.
❖	Request that the company examination coordinator contact the EIC to confirm a pre-examination conference.
Pre-examination phase (Determining Examination Scope)	
❖	Conduct a complaint analysis of the complaints listed with the NAIC.
❖	Review any recent Level 1 or Level 2 reviews conducted by OFIR or other States.
❖	Conduct Level 1 or 2 reviews, if warranted.
❖	Review of the Financial Annual Statement and IRIS ratios.

❖	Review of the Market Conduct Annual Statement Data (if collected and provided by the state).
❖	Review any recent rate filings and policy form submissions, if relevant to the issue(s)/Company (ies).
❖	If pertinent to the issue(s)/Company (ies), review Department statutes and regulations, internal analysis, market share analysis, NAIC reports, financial-related information, and other relevant information.
❖	Review ETS for any recently called or concluded examinations. Review all recently issued reports – determine if any of the same or similar concerns or issues has been identified by another state and determine if the Company has been ordered to implement any corrective actions. Determine if these corrective actions impact OFIR.
❖	If the examinations are Company specific – determine the scope of the examination. Is the focus of the examination to be on Domestics only or all Companies writing in the State.
❖	If the examinations are issue driven – determine which Companies merit an examination and the scope of the examination.
❖	Review computer data provided by the company (if available) from which the examiners will select a sample of files to be tested. • Validate this data and test for accuracy and completeness. • (Policy, claims, and producers and consumer complaint sample selections will be forwarded to the company prior to the beginning of the on-site phase of the examination).
❖	Further identify the subject area(s) of the examination in terms of the lines of business to be covered and the functional area: marketing and sales, underwriting, claims, etc.
❖	Further identify the specific review to be performed for each line of business
❖	Estimate the number of reviews and project the sample size for each
❖	Estimate the length of time required for the examination (start and end dates)
❖	Finalize scope statement.
❖	Determine the number of examiners and other resource requirements
❖	Determine tentative schedule (time frame and sequence of examination events)
❖	Define any data requests and document requests that may be needed from the company prior to the on-site portion of the examination
❖	Confirm the examination has been entered by the state into the NAIC Examination Tracking System (ETS)
❖	Issue examination call to invite other states to participate and notify MAWG (Only if examination is determined to be a multistate)
❖	Additional planning of the examination (if determined to be a multistate)

Pre-examination conference (conducted by EIC)	
❖	Establish conference call date (within 15 to 30 days following delivery of the Coordinator Handbook and 15 to 60 days prior to the beginning of the on-site phase of the examination
❖	Confirm availability of all required for attendance
❖	Conduct the call of examination requirements • Procedures for handling questions presented by the examiners and the subsequent company responses • Introduction of the examiners participating in the examination (if known) and identification of the specific areas each will be reviewing • Estimated time for the on-site examination • Outline of the timeframe for steps following the on-site examination • Identify examination coordinator contact at the company • Define document handling procedures • Discuss pertinent information about the company work environment for the examination team • Request copies of previous examinations and internal audit reports • Arrange for security access and working space for the examination team • Review company recordkeeping and computer systems • Clarify the locations for the examination(s) (if known) • Discuss working hours and travel arrangements
Examination Commencement	
❖	Confirm with examination coordinator the document handling procedures, procedures for handling questions and appointed contact people for the examiner(s)
❖	Confirm with examination coordinator progress on timeline and document any reasons for delays
❖	Review minutes from board of directors meetings (if applicable to examination scope)
❖	Review policy files (if applicable to examination scope)
❖	Review producer files (if applicable to examination scope)
❖	Review producer training materials (if applicable to examination scope)
❖	Review claims files (if applicable to examination scope)

❖	Review complaint files (if applicable to examination scope)
❖	Review internal audit and self critical analysis documents (if applicable to examination scope)
❖	Review any other documentation as required by the scope of the examination
❖	Compile issues that require a written response from the company
Examination Completion and Workpapers	
❖	Schedule exit conference to discuss findings and pertinent issues
❖	Conduct exit conference
❖	Prepare examination report
❖	Provide OFIR with a complete set of original workpapers, including supporting documentation of the work performed.

References: The NAIC's *Market Regulation Handbook* and the NAIC's *Core Competency Guidelines,* as well as the IRES MCM Designation book on the *Best Practices of Conducting Market Conduct Examinations.*

Note: The above Examination Plan can be tailored to address either a specific line of business or a specific Company.

Results of the examinations will be communicated in the formal Reports of Examination.

Projected Cost

Expected cost assumes full cooperation by, and timely receipt of information from, the Company. Actual cost may be higher or lower based on significant findings, OFIR's expansion/reduction of the workplan procedures, and/or the degree of cooperation from the Company. Total cost takes into consideration certain factors that are beyond the direct control of InsRis. These include, but are not limited to, those circumstances mentioned above.

The current hourly rates for market conduct examiners by classification follow:

	Proposed Hours	Hourly Fee	Total
Supervising Examiner	72	$ 155	$ 11,160
Examiner-in-Charge	240	$ 140	$ 33,600
Staff Examiner	160	$ 115	$ 18,400
Staff Examiner	160	$ 115	$ 18,400
Subtotal	632		$ 81,560
Expenses			$ 12,000
Total			$ 93,560

We appreciate the opportunity to submit this proposal. If you have any questions or need additional information, please call me at (215) 625-2927. I look forward to hearing from you.

Sincerely,

Michael B. Kogut, CPA

Michael B. Kogut, CPA
Chief Operating Officer

Appendix A - Resumes

Shelly G. Schuman, MCM, AIA, FLMI, ACS

EXPERIENCE

2006 – Present

INS Regulatory Insurance Services, Inc.
Deputy Director, Market Regulation

Provide market conduct examination and compliance services to state insurance departments. Conduct market conduct examinations. Provide filing retrieval and research services. Provide market conduct examination and compliance services to state insurance departments. Responsible for supervising examiners in the performance of market conduct examinations and other regulatory options, training of examination staff, oversight of examinations, including selection of companies for examination, pre-examination planning, the review of reports and work papers, examination logistics, interacting with Departments of Insurance, and various other supervisory functions, Market Analysis, such as company selection, Level 1s and Level 2s, and Outreach/Marketing.

1997 – 2006

National Association of Insurance Commissioners (NAIC)
Market Regulation Division

Duties required acting as primary staff support for regulatory groups in their development of model statutes and procedures. Education program development, the creation of publications, and customer support for regulatory systems and procedures were also required. Sensitivity to the political and regulatory structures in place within all membership jurisdictions was necessary. (NAIC membership includes all states, the District of Columbia, American Samoa, Guam, Northern Mariana Islands, Puerto Rico, and Virgin Islands.)

1994 – 1997

USA Administration Services, Inc.
Client Services Manager

Position required acting as the principle contact within the organization for client companies, project management for the conversion of client data to proprietary systems, and the daily supervision of administrative services to ensure the integrity of client databases and programs. In the position, I gained experience in data conversions and the implementation of administrative support systems such as ACH transmission, work flow development, and accounting support systems.

EDUCATION

University of Missouri, Kansas City, 1981 – 1982, General Studies
University of Kansas, Lawrence, 1982 – 1985, Secondary English Education
Longview Community College, 1987 – 1998, Business Administration Studies

PROFESSIONAL DESIGNATIONS

Market Conduct Management Specialist
Accredited Insurance Examiner
FLMI and ACS Designations

Roger Fournier, CIE, AIRC

EXPERIENCE

2004 - Present

INS Regulatory Insurance Services, Inc.
Insurance Examiner-in-Charge

Provide Market Conduct examination and compliance services to state insurance departments as Examiner-in-Charge. Participate in all phases of the examination process. Responsible for the development of an overall plan of examination and coordination of the examination for all lines of insurance. Perform follow-up examinations of compliance programs. Direct the work product of other team examiners and training of new examiners.

2000 - 2004

New Hampshire Insurance Department
Examiner-In-Charge

Participate in all phases of the examination process, from planning, conducting examination and report writing. Responsible for the development of an overall plan of examination and coordination of the examination for all lines of Life and Health insurance. Direct the work product of other team examiners and training of new examiners. Supervised one to four examiners.

1998 – 2000

Provident Mutual Insurance Company
Special Investigations Auditor

Initiated and conducted investigations relating to sales activity involving Variable Life and Annuity products and other securities. Activities involved planning, organizing and conducting field investigations, writing reports for corporate counsel, compliance and marketing executives. Acted as liaison between Insurance Company and Broker/Dealer.

1998 – 1996

Prudential Insurance Company
Field Office Examiner

Assisted in development of nationwide comprehensive field office examination program. Managed a staff of three examiners conducting field office compliance visits. Activities included training of staff and conducting securities compliance training to field office personnel management and producers. Duties also included investigations and interviews involving market conduct activity.

EDUCATION

St. Anselm College, Manchester, NH
Bachelor of Arts Degree in Economics - 1969

PROFESSIONAL CREDENTIALS

Certified Insurance Examiner
Associate, Insurance Regulatory Compliance
NASD Registered Principal (Series 24)
NASD General Securities Representative (Series 7)

Cyndy Campbell, MCM, AIRC, CIE

EXPERIENCE

2008 – Present

INS Regulatory Insurance Services, Inc.
Insurance Examiner-in-Charge

Provide Market Conduct examination and compliance services to state insurance departments as Examiner-in-Charge. Participate in all phases of the examination process. Responsible for the development of an overall plan of examination and coordination of the examination for all lines of insurance. Direct the work product of other team examiners and training of new examiners.

1991 - 2007

State of Missouri Department of Insurance
Examiner-in-Charge

Responsible for the development of an overall plan of examination and coordination of the examination for all lines of Property and Casualty insurance. Train new examiners and direct the work product of other team examiners. Handle field personnel matters. Participate in department training for in-house staff and field staff.

1989 – 1991

Field Examiner

Participate in examinations of all lines of Property and Casualty insurance. Direction given by the lead examiner yet also able to initiate reviews/analysis. Responsible for manually rating policies, reviewing underwriting practices, analyzing complaints and reviewing claims.

1983 – 1989

Shelter Insurance Company
Commercial Lines Assistant Underwriter
Responsible for underwriting, rating and preparing applications for issue for Commercial Automobile, Fire, General Liability, Business Owners, Apartment Owners, Farm Owners, Garage Liability and Keepers, Dwelling Fire, Dwelling Farm, Farm Liability. Calculate refunds on cancellations, correspond with agents regarding policy and policyholder concerns. Responsible for training new employees.

1977 – 1983

Assistant Underwriter - Automobile
Responsible for reviewing applications for non-standard and commercial automobile policies. Determine eligibility and rate quote.

1974 – 1977

Processor
Process and apply changes to non-standard automobile rates and cancellation notices, correspond with agents for additional information, calculate refunds.

1970 – 1974

Office Clerk
Responsible for filing and maintaining memorandums and letters; matching response letters with original correspondence; sorting and delivering mail.

Cyndy Campbell, MCM, AIRC, CIE

EDUCATION

Columbia College
B.S. Business Administration

PROFESSIONAL DESIGNATIONS

Certified Insurance Examiner (CIE)
Associate, Insurance Regulatory Compliance (AIRC)
Market Conduct Management (MCM)
Additional Designations - ACS, AIAA, API, CCP, AU, AIS, ACP

Candace Reese

EXPERIENCE

2004 - Present

INS Regulatory Insurance Services, Inc.
Insurance Examiner

Act as Examiner on behalf of Delaware State insurance departments for market conduct examinations of insurance companies, participating in all phases of the examination process.

Chase Manhattan Bank
2003 – 2004
Customer Service Representative

Responsible for maintaining all records, direction of accounting personnel in cash receipts, disbursements and all other related accounting functions; development and implementation of accounting policies and procedures; preparation of cash flow and budget projections.

2000

MBNA
Customer Service Representative

Fully responsible for maintaining all records from original entries through financial statement preparation. Responsibilities included: direction of accounting personnel in cash receipts, disbursements and all other related accounting functions; development and implementation of accounting policies and procedures; preparation of cash flow and budget projections.

EDUCATION

University of Tennessee
Bachelor of Science Degree in Human Services - 2003

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

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

April 10, 2008

NOTICE
TO
CONTRACT NO. 071B8200124
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR: **INS Regulatory Insurance Services, Inc.** **419 South 2nd Street, New Market Suite 206** **Philadelphia, PA 19147** **ashaw@insconsultants.org**	TELEPHONE (215) 625-2927 **Alan E. Shaw** CONTRACTOR NUMBER/MAIL CODE BUYER/CA (517) 241-3768 **Lance Kingsbury**
Contract Compliance Inspector: Regan Johnson - 517.335.4350 **Market Conduct Examinations of Insurance Companies - Department of Labor & Economic Growth - Office of Financial and Insurance Regulation**	
CONTRACT PERIOD: From: **April 2, 2008**	To: **March 31, 2011**
TERMS **Net 30**	SHIPMENT **N/A**
F.O.B. **Delivered**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

The terms and conditions of this Contract are those of ITB #071I8200049, this Contract Agreement and the Contractor's quote dated 1/25/08. In the event of any conflicts between the specifications, terms, and conditions indicated by the State and those indicated by the Contractor, those of the State take precedence.

Current Authorized Spend Limit: $0.00

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
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DEPARTMENT OF MANAGEMENT AND BUDGET
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P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CONTRACT NO. 071B8200124
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR: **INS Regulatory Insurance Services, Inc.** **419 South 2nd Street, New Market Suite 206** **Philadelphia, PA 19147** **ashaw@insconsultants.org**	TELEPHONE (215) 625-2927 **Alan E. Shaw** CONTRACTOR NUMBER/MAIL CODE BUYER/CA (517) 241-3768 **Lance Kingsbury**
Contract Compliance Inspector: Regan Johnson - 517.335.4350 **Market Conduct Examinations of Insurance Companies - Department of Labor & Economic Growth - Office of Financial and Insurance Regulation**	
CONTRACT PERIOD: From: **April 2, 2008** To: **March 31, 2011**	
TERMS **Net 30**	SHIPMENT **N/A**
F.O.B. **Delivered**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

MISCELLANEOUS INFORMATION:

The terms and conditions of this Contract are those of ITB #071I8200049, this Contract Agreement and the Contractor's quote dated 1/25/08. In the event of any conflicts between the specifications, terms, and conditions indicated by the State and those indicated by the Contractor, those of the State take precedence.

Current Authorized Spend Limit: $0.00

THIS IS NOT AN ORDER: This Contract Agreement is awarded on the basis of our inquiry bearing the ITB No. 071I8200049. Orders for delivery may be issued directly by the Department of Labor and Economic Growth - Office of Financial and Insurance Regulation through the issuance of a Purchase Order Form.

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

FOR THE CONTRACTOR:	**FOR THE STATE:**
INS Regulatory Insurance Services, Inc. Firm Name	Signature
Authorized Agent Signature	**William C. Walsh, CPPB, Buyer Manager** Name/Title
Authorized Agent (Print or Type)	**Services Division, Purchasing Operations** Division
Date	Date

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Article1 – Statement of Work (SOW)

1.00 Introduction

1.001 Project Request

This Contract is for market conduct examinations of insurance companies domiciled in the state of Michigan.

1.002 Project Background – Reserved

1.10 Scope of Work and Deliverables

1.101 In-Scope

It is imperative that Contractor staff who perform these examinations not be affiliated or associated (either financially or Contractually) with an entity being examined and that there be no financial or Contractual relationship, either written or oral, with an entity being examined and the Contractor, during the life of this Contract. Failure by the Contractor to comply with this provision will result in the cancellation of this Contract.

The second tier work request process will be initiated by OFIR as specific market conduct examination needs arise. OFIR, after formalizing a comprehensive statement of work, will facilitate the second tier selection process for each Contracting effort. The Work Request Template will identify the statement of work, period of performance, deliverables, specific response information required, and any special terms and conditions. OFIR will e-mail the solicitation to all pre-qualified Vendors. These Vendors will respond directly to OFIR within the timeframe specified in the Work Request. OFIR will evaluate the responses and determine the Vendor that will provide the best overall value for their Work Request.

Testimony / Expert Witness - In cases where market conduct examination yield information that leads to administrative action, the Contractor may be called upon to provide testimony relating to the market conduct examination conducted.

1.102 Out-Of-Scope – Reserved

1.103 Environment – Reserved

1.104 Work and Deliverable

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

A. Project Assignment or Request for Quotation
OFIR will prepare a written work statement that details the company involved and the work to be performed by the Contractor. Each work statement will be submitted to all pre-qualified Vendors under this award. Each work statement from OFIR will include the following information:

1. Cover Sheet:
   - Vendor Work Statement Due Date;
   - Name of Company or Companies to be analyzed / examined;
   - Period of Company operation time to be reviewed by this analysis / examination;
   - Expected End Work Product, i.e., agreed-upon procedures

2. Vendor Response: Quotation and Analysis or Examination Plan
   The pre-qualified Vendors will have three (3) weeks from date work statement is mailed to submit a quotation and work plan in response to the work statement. Pre-qualified Vendors will each respond to the work statement with a Quotation and a Work Plan.

3. Each Quotation must include the following:
   a. Assignment Scope: statement of the project assignment;
   b. Dates by which examination of the company will begin and be completed
   c. Description of the services (see Part B Service Description – MARKET CONDUCT EXAMINATIONS below), including:
      - Contractor's approach to completing the market conduct examination of the company identified in the work statement
      - Technical Work Plan;
      - End product of the assignment (e.g. all examination work-papers, including a finalized examination report, following NAIC guidelines, etc.);
      - Individual Staff assigned to project
   d. Assigned Staff information:
      - Name
      - Background and credentials
      - Total amount of experience relevant to completing market conduct examinations
      - Specific experience relevant to type of company being examined
        (Not necessary to include individual resumes, if included in Contractor's proposal under which this Contract was awarded.)
   e. Detail of Costs:
      - Staff assigned to project
      - Estimated hours assigned for each of project-staff person
      - The hourly rate per staff person
      - Travel costs (these costs will be billed at state rates in effect at the time the expense is incurred***)
      - Total projected costs for examination

      *** The travel costs should include any costs that may be incurred by the Contractor during the normal course of the examination. Should the Contractor be required to defend their findings at a hearing, OFIR will reimburse the Contractor for any specific travel costs incurred while defending the findings. This reimbursement is in addition to the total cost bid and accepted by the OFIR. Travel costs must be approved by the OFIR CCI prior to incurring and only to defend the Contractor's findings, pursuant to the State of Michigan Travel policy, as listed on the travel web-site and cannot exceed those established by the Department of Management and Budget for employee reimbursement; see: http://www.michigan.gov/dmb/0,1607,7-150-9141_13132---,00.html

4. Each Examination Plan, submitted with a quotation, must also include the following:

   Examinations:
   The Contractor must develop a specific examination plan for the Company using the NAIC Market Conduct Handbook which must be approved by the OFIR Market Conduct Manager. The Contractor's examination plan must include:

   a. A description of tests which Contractor will use to determine compliance with Michigan laws, regulations, and bulletins and an elapsed time and worker-hours budget;
   b. The specific examination dates, from start date to completion date, without any delays or gaps;
   c. All the individual staff assigned to the examination, the areas each individual will be assigned to the examination, and the estimated number of hours each individual will participate in the examination

B. Service Description – MARKET CONDUCT EXAMINATIONS

If awarded the market conduct examination (project) assignment, Contractor shall carry out this project under the direction and control of the DLEG, OFIR, and shall:

1. Perform specific examination tests identified in the initial examination plan and other examination tests as deemed necessary throughout the course of the examination to determine compliance with Michigan insurance laws, regulations, and bulletins. The Contractor must review the tests performed and the results found with the OFIR Market Conduct Manager.

2. Document all work performed and examination findings in examination work-papers, ensuring all work-papers generated during the examination meet its firm's work-paper quality standards, the NAIC Market Conduct Handbook standards, and OFIR work-paper standards (all work-papers will be reviewed and must be approved by the OFIR Market Conduct Manager); these work-papers shall become the property of OFIR after the examination;

3. Be responsible for bringing its own supplies and equipment; the only items OFIR will request of the company, being examined, are access to a telephone, facsimile, and a photocopier (as the telephone may or may not have a dedicated line for use with computers);

4. ***Not*** contact the insurance company prior to the on-site examination without written authorization from OFIR, even though it is OFIR's practice to give insurance companies at least 30 days notice prior to beginning an on-site examination;

5. Contractor shall assign staff who possess effective examination and investigative techniques and are familiar with Michigan insurance laws, regulations, bulletins and NAIC requirements supervising the examination.

6. Identify any items of noncompliance with State statutes and regulations which become apparent during the examination; also, the Contractor must identify any findings where the company could improve its operations, controls or reporting; OFIR will make the final determination about which items should then be discussed with the company and then whether that item should be included in the final report or management letter;

7. Work with, and under the direction of the OFIR Market Conduct Manager to prepare a draft copy of the examination report and management letter on the company; a management letter will include all findings that are not code violations, but are areas where the company could improve its operations, controls or reporting;

8. Submit examination findings and work-papers to OFIR within 10 calendar days following the completion of the on-site examination of the company unless otherwise agreed to by OFIR, and if the Contractor prepares a draft report and management letter, then the report and management letter must conform to reporting guidelines, as published by the NAIC, and OFIR policies and procedures;

9. Make changes to the report as agreed to, following discussions with OFIR;

10. Hold a meeting with OFIR and the company being examined to discuss any findings or comments arising from the examination; after the meeting, adjust the draft report and management letter based on the meeting and subsequent information received by OFIR, and submit the final draft report and management letter to OFIR within 10 calendar days of approval of the draft by the OFIR Market Conduct Manager;

11. At the end of each examination, OFIR provides the regulated entity with the opportunity to one (1) final exit conference at the OFIR' office. If a meeting is held, the Contractor must attend this meeting. The cost of travel and hourly rate should be included in the overall cost proposed by the Contractor;

12. The Contractor must remain available to answer any inquiries or clarify test-work and findings found during the examination, until the next examination of the company is completed; Also the Contractor must assist OFIR during any administrative or court proceedings involving the examination reports, the examinations or any matter related to the Contractor's work under this Contract;

13. Upon notice by OFIR, the Contractor must appear, or be available to appear for testimony in any administrative or court proceedings involving the examination reports, the examinations or any matter related to the Contractor's work under this Contract; OFIR will only pay the individual hourly rates agreed to from the second tier bidding process as outlined in this Contract. These services will only be provided at the request of the Contract Compliance Inspector (CCI) and a total agreed price will be determined before any services are rendered. No additional costs will be provided above the amount agreed to by the CCI.

14. OFIR is also audited by the State of Michigan Legislature's Office of the Auditor General. The Auditor General may review the Contractor's work-papers. If OFIR is audited during this Contract period, the Contractor must also remain available to answer any questions or provide any additional documentation requested by the auditor general's office. The rate charged by the Contractor for these services, however, must be the hourly rates agreed to from the second tier bidding process as outlined in this Contract. These services will only be provided at the request of the CCI and a total agreed price will be determined before any services are rendered. **Note:** No additional costs will be provided above the amount agreed to by the CCI.

15. Within 10 working days from the beginning of the examination, unless otherwise agreed upon, the Contractor will submit a work plan to the OFIR Market Conduct Manager for final approval. This final work plan or agreed upon procedures will be finalized after the examination planning has been completed jointly by the Contractor and OFIR. This final implementation plan must be in agreement with the Contractor's accepted and approved quotation and must include the following:
    - The Contractor's project organizational structure.
    - 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.
    - The project breakdown showing sub-projects, activities and tasks, and resources required and allocated to each.
    - The time-phased plan in the form of a graphic display, showing each event, task, and decision point in your work plan.

16. Contractor will be held to the price quoted. No additional funds will be approved and paid to the Contractor for delays in the examination because of the company delays providing needed examination information unless the Contractor can provide sufficient documentation to demonstrate the delays. The delays must be in all areas of information or a significant portion of the information such that the Contractor's staff is not able to remain productive. Also, the Contractor must be able to demonstrate that its staff could not be temporarily reassigned during any such lulls in receiving documentation. We do not anticipate any delays and would work with the Contractor and company to ensure delays will not occur.

17. OFIR will pay for all Market Conduct Examination services by the Contractor that are provided according to the terms of this Agreement. No charges shall be submitted to the regulated insurance company being examined, unless otherwise directed by OFIR.

1.20 Roles and Responsibilities

1.201 Contractor Roles & Responsibilities

Contractor must identify staff who will be involved, identify by name of individuals that are to be designated as Key Personnel (if necessary), and describe in detail their roles and responsibilities.

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

The Contractor will provide resumes for staff, including Subcontractors, who will be assigned to this Contract, indicating the responsibilities and qualifications of such personnel, and stating the amount of time each will be assigned to the project. The Contractor will commit that staff identified in its proposal will actually perform the assigned work. Any staff substitution must have the prior approval of the State.

The Contractor will identify a Contract Administrator. The duties of the Contract Administrator shall include, but not be limited to: i) supporting the management of this Contract, ii) facilitating dispute resolution, and iii) advising the State of performance under the terms and conditions of this Contract. The State reserves the right to require a change in the current Contract Administrator if the assigned Contract Administrator is not, in the opinion of the State, adequately serving the needs of the State.

The Contract Administrator shall be identified as a Key Personnel subject to the State's interview and approval.

The Contractor will present and allow the State staff to interview all Key Personnel assigned to the project. The Contractor is obligated to provide the key personnel submitted at the time of bid. Failure to do so may result in the cancellation of the bid award. The Contractor will provide a project manager to work closely with the designated personnel from the State to insure a smooth transition to the new system. The project manager will coordinate all of the activities of the Contractor personnel assigned to the project and create all reports required by State. The Contractor's project manager responsibilities include, at a minimum:

- Manage all defined Contractor responsibilities
- Manage Contractor's Subcontractors, if any
- Develop the project plan and schedule, and update as needed
- Serve as the point person for all project issues
- Coordinate and oversee the day-to-day project activities of the project team
- Assess and report project feedback and status
- Escalate project issues, project risks, and other concerns
- Review all project deliverables and provide feedback
- Proactively propose/suggest options and alternatives for consideration
- Utilize change control procedures
- Prepare project documents and materials

Contractor's staff must be able to pass a security clearance check conducted by the Contractor. Contractor must present certifications evidencing satisfactory background checks and drug tests for all staff identified for assignment to this project. Contractor is responsible for any costs associated with ensuring their staff meets all requirements.

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

1.202 State Staff Roles & Responsibilities

The DLEG-OFIR has appointed and assigned its Market Conduct Unit Manager, Ms. Regan Johnson, as the CCI. The Contractor will work directly with and report to the Market Conduct Unit of DLEG-OFIR. The appointed Market Conduct Unit Manager will oversee the Contract and specific assignment direction, and work with the Contractor to establish and approve the objective and timelines. The Contractor may be directed by the CCI to work on a more regular basis with additional agency/program staff to complete Contract deliverables.

Name: Regan Johnson
Title: Manager, Market Conduct Unit
Responsibilities: Overall responsibility for the services rendered under this Contract.

1.203 Contract Implementation Period / Transition / Orientation

The CCI will administer this Contract on a day-to-day basis during the term of this Contract. However, administration of this Contract implies no authority to change, modify, clarify, amend, or otherwise alter the terms, conditions, and specifications of this Contract. That authority is retained by DMB – Purchasing Operations.

1.204 Other Roles & Responsibilities – Reserved

1.30 Project Plan

1.301 Project Plan Management

Within 10 working days of the award from the second tier bidding process as outlined in this Contract, the Contractor will submit a finalized work plan to the OFIR project director for final approval. The work plan must include the following:

- The Contractor's organizational structure of the project.
- The Contractor's staffing table with the names and title of the personnel assigned to the project/phase of project. (This must agree with the staffing as described in key personnel.)
- The project breakdown, showing sub-projects, phases, activities or tasks, and Contractor-resources required and allocated to each.
- OFIR approval for each phase.
- The time-phased plan/target completion dates(s), or calendar showing each event, task, and decision point in your work plan.

All the items listed above should be included in the pre-qualified Vendors' proposals for a specific examination and therefore, would not need to be stated here.

1.302 Reports

A. The Contractor will submit concise written biweekly progress reports to the assigned program staff indicating the work completed during the two (2) weeks, work in progress, to-date examination findings and recommendations, problems real or anticipated, notification of any significant deviation from previously agreed upon work plans, cumulative hours utilized, estimated hours to completion, the projected date for conclusion of field work, and the projected date of delivery of the draft final report and workpapers. Although there should be continuous liaison with the Contractor team, the appointed program Staff will meet monthly, at a minimum, or whenever required by the appointed Program Staff with the Contractor's project manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems with arise.

B. Within 10 working days from the beginning of the examination, unless otherwise agreed upon, the Contractor will submit a work plan to the appointed Program Staff for final approval. This final work plan or agreed upon procedures will be finalized after the examination planning has been completed jointly by the Contractor and OFIR.

1.40 Project Management

1.401 Issue Management

Should issues arise which endanger the project being completed, Contractor needs to propose in their bid response, in the second tier bid process as outlined in this contract, how they would go about handling the issue. Contractor should identify how issues will be captured, reported, and escalated. Contractor should include responsible parties, phone numbers, e-mail address, and process.

1.402 Risk Management

Risks are those things that you can assume or anticipate in a project. Issues are imminent threats or things that have already occurred. 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 should propose a standard risk management process for managing the project as part of its bid response, in the second tier bid process as outlined in this contract. Contractor should be asked to identify the risk management process to be utilized for this project, including responsible parties, phone numbers, email addresses if relevant, and processes.

1.403 Change Management

Changes which need to be made to the project need to be approved by the CCI. Any changes to this Contract will also need DMB Purchasing Operations approval prior to work being done. Changes are not official until a Contract Change Notice has been issued by DMB Purchasing Operations.

If a proposed Contract Change is approved by the CCI, the CCI will submit a request for change 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 this Contract, via a Contract Change Notice. **Contractors who provide products or services prior to the issuance of a Contract Change Notice by the DMB Office of Purchasing Operations risk non-payment for the out-of-scope/pricing products and/or services.**

1.50 Acceptance

1.501 Criteria

As a market conduct examination is required, the Contractors will be asked to submit a proposal on the specific examination described in the Work Request, as part of the second tier bid process as outline in this contract.

1.502 Final Acceptance

The agency has the right to determine if the deliverables are acceptable and the specified requirements are complete.

1.60 Compensation and Payment

At the second tier bidding process, the Contractors shall provide a firm, fixed price for the examination to include total price of anticipated maximum hours of work and necessary costs. The total price should include all costs associated with travel expenses (air, train, car, cab, etc.), lodging (room rate and tax), meals and other miscellaneous expenses. OFIR will award the examination to the Contractor who represents the best overall value to OFIR.

1.70 Additional Terms and Conditions Specific to this SOW - Reserved

Article 2 – General Terms and Conditions

2.01 Contract Structure and Administration

2.011 Definitions

Capitalized terms used in this Contract (including its Attachments and 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 (7) 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 this 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 attached as Article 1, Attachment C - **N/A to this ITB.**
(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 as Key Personnel.
(k) "New Work" means any Services/Deliverables outside the scope of this 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 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.

2.014 Issuing Office

This Contract is issued by the Department of Management and Budget, Office of Purchasing Operations and DLEG (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 this Contract. **Purchasing Operations is the only State office authorized to change, modify, amend, alter or clarify the prices, specifications, terms and conditions of this Contract.** The Contractor Administrator within Purchasing Operations for this Contract is:

Lance Kingsbury
Department of Management and Budget - Purchasing Operations
Mason Bldg, 2nd Floor
PO Box 30026
Lansing, MI 48909
kingsburyl@michigan.gov
Phone: (517) 241-3768

2.015 Contract Compliance Inspector (CCI)

Upon receipt at Purchasing Operations of this properly executed Contract, it is anticipated that the Director of DMB Purchasing Operations, in consultation with DLEG, will direct that the person named below, or any other person so designated, be authorized to monitor and coordinate the activities for this 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 this Contract as that authority is retained by the Office of Purchasing Operations**. The CCI for this Contract is:

Regan Johnson
Department of Labor and Economic Growth/OFIR
611 W. Ottawa Street; 3rd Floor; PO Box 30224
Lansing, MI 48909
517.335.4350
johnsonr3@michigan.gov

2.016 Project Manager

See Section 2.015 CCI for contact information.

2.02 Contract Objectives/Scope/Background

2.021 Background – Reserved

2.022 Purpose – Reserved

2.023 Objectives and Scope

Refer to Article 1 – Statement of Work.

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

2.03 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 this Contract has been issued.

2.032 Contract Term

This Contract is for a period of three (3) years commencing on the date that the last signature required to make this Contract enforceable is obtained. All outstanding Purchase Orders shall also expire upon the termination (cancellation for any of the reasons listed in 2.210) of this Contract, unless otherwise extended pursuant to this Contract. Absent an early termination for any reason, Purchase Orders issued but not expired, by the end of this 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. This 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.

2.04 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; as well as provide an organization chart showing the roles of certain Key Personnel, if any.

(ii) Key Personnel shall be dedicated as defined herein 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 of this 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 this Contract, in respect of which the State may elect to exercise its rights under Section 2.210.

(v) It is acknowledged that an Unauthorized Removal will interfere with the timely and proper completion of this Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any Unauthorized Removal. Therefore, Contractor and the State agree that in the case of any Unauthorized Removal in respect of which the State does not elect to exercise its rights under Section 2.210, the State may assess a penalty against Contractor as specified below.

For the Unauthorized Removal of any Key Personnel designated in the applicable Statement of Work, the penalty amount shall be $25,000.00 per individual, unless the Contractor identifies a replacement approved by the State pursuant to Section 2.041 (extenuating circumstances will be reviewed on a case by case basis).

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

2.042 Contractor Identification

Contractor employees shall be clearly identifiable while on State property by wearing a State-issued badge, if 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 this 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, Office of Purchasing Operations has given written consent to such delegation. The State shall have the right of prior written approval of all Subcontractors and to require Contractor to replace any Subcontractors found, in the reasonable judgment of the State, to be unacceptable. The State's request shall be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request shall be based on legitimate, good-faith reasons. Replacement Subcontractor(s) for the removed Subcontractor shall be fully qualified for the position.

If the State exercises this right, and the Contractor cannot immediately replace the removed Subcontractor, the State will agree to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with a removed Subcontractor results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable 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. Attached as **Exhibit A** is a list of the Subcontractors, if any, approved by the State as of the execution of this Contract, together with a copy of the applicable subcontract.

(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 this 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.

2.05 State Standards

2.051 Existing Technology Standards – Reserved

2.052 PM Methodology Standards – Reserved

2.053 Adherence to Portal Technology Tools – Reserved

2.054 Acceptable Use Policy – Reserved

2.06 Deliverables

2.061 Ordering

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, this 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.

2.062 Software – Reserved

2.063 Hardware – Reserved

2.064 Equipment to be New and Prohibited Products – Reserved

2.07 Performance

2.071 Performance, In General

The State engages Contractor to execute this Contract and perform the Services/provide the Deliverables, and Contractor undertakes to execute and complete this 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 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 – Reserved

2.076 Service Level Agreements (SLAs) – Reserved

2.08 Delivery and Acceptance of Deliverables

2.081 Delivery Responsibilities – Reserved

2.082 Delivery of Deliverables – Reserved

2.083 Testing – Reserved

2.084 Approval of Deliverables, In General – Reserved

2.085 Process For Approval of Written Deliverables – Reserved

2.086 Process for Approval of Services – Reserved

2.087 Process for Approval of Physical Deliverables – Reserved

2.088 Final Acceptance – Reserved

2.09 Financial

2.091 Pricing

(a) Fixed Prices for Services/Deliverables
Each Statement of Work/PO issued under this Contract shall specify the firm, fixed prices for all Services/Deliverables payment amounts.

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

2.092 Invoicing and Payment Procedures and Terms

(a) Invoicing and Payment – In General

(i) Each Statement of Work issued under this Contract shall list the prices for all Services/Deliverables.

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

2.093 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 25% 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
Public Act 533 of 2004 requires that payments under this Contract be processed by electronic funds transfer (EFT). Contractor is required to register to receive payments by EFT at the Contract & Payment Express website (www.cpexpress.state.mi.us).

2.10 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 the 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 this 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 – Reserved

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

If the State requests or directs the Contractor to perform any Services/Deliverables that are outside the scope of the Contractor's responsibilities under this 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 this 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 this 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 this 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 this Contract.

2.107 Management Tools

Contractor will use an automated tool for planning, monitoring, and tracking this 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 this 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 60 days, updated semi-monthly) and (iii) graphs showing critical events, dependencies and decision points during the course of this 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.

2.11 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 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 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, until the expiration of seven (7) years following the creation of the material (collectively, the "Audit Period"), 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 this Contract.

(c) Retention of Records. Contractor shall maintain at least until the end of the Audit Period all pertinent financial and accounting records (including time sheets and payroll records, and information pertaining to this Contract and to the Services, equipment, and commodities provided under this Contract) pertaining to this 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 Audit Period. If an audit, litigation, or other action involving Contractor's records is initiated before the end of the Audit Period, the records must be retained until all issues arising out of the audit, litigation, or other action are resolved or until the end of the Audit Period, whichever is later.

(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 this Contract, whichever is earlier.

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

2.12 State Responsibilities

2.121 State Performance Obligations – Reserved

2.13 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/ditservice/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.

2.14 Reserved

2.15 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. 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 (i) use of a Subcontractor is authorized under this Contract, (ii) such disclosure is necessary or otherwise naturally occurs in connection with work that is within such Subcontractor's scope of responsibility, and (iii) 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 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 this Contract within 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 this Contract for any reason, Contractor shall certify to the State that Contractor has destroyed all State Confidential Information.

2.16 Proprietary Rights

2.161 Ownership

Ownership of Work Product by State: All Deliverables shall be owned by the State and shall be considered works made for hire by the Contractor for the State. The State shall own all United States and international copyrights, trademarks, patents or other proprietary rights in the Deliverables.

Licenses: To the extent required by the Contractor to market the Deliverables and exercise its full rights in the Deliverables, including, without limitation, the right to make, use, and sell products and services based on or incorporating such Deliverables.

2.162 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 this 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 this 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.

2.164 Ownership of Materials

State and Contractor will continue to own their respective proprietary technologies developed before entering into this 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 – Reserved

2.166 Pre-existing Materials for Custom Software Deliverables – Reserved

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.

2.17 Warranties and Representations

2.171 Warranties and Representations

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

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

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the ITB, 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.

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

(j) 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 – Reserved

2.173 Equipment Warranty – Reserved

2.174 Physical Media Warranty – Reserved

2.175 Disclaimer – Reserved

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 Standard Warranties – Reserved

2.177 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.

2.18 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, or as otherwise approved in writing by the State, 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 this 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. **THIS 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 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 this 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

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

(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 this 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 this 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.

2.19 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 tortuous 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 this 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 this Contract, with respect to any claims based on facts or conditions that occurred prior to 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 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 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.

2.20 Limits of Liability and Excusable Failure

2.201 Limits of Liability

The Contractor's liability for damages to the State shall be limited to two (2) times the value of this 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; to claims covered by other specific provisions of this Contract calling for liquidated damages; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

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

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

2.202 Excusable Failure

Neither party will be liable for any default, damage or delay in the performance of its obligations under this Contract to the extent such default, damage or delay is caused by government regulations or requirements (executive, legislative, judicial, military or otherwise), power failure, electrical surges or current fluctuations, lightning, earthquake, war, water or other forces of nature or acts of God, delays or failures of transportation, equipment shortages, suppliers' failures, or acts or omissions of common carriers, fire; riots, civil disorders; strikes or other labor disputes, embargoes; injunctions (provided the injunction was not issued as a result of any fault or negligence of the party seeking to have its default or delay excused); or any other cause beyond the reasonable control of 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.

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 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 this Contract for so long as the delay in performance shall continue; (b) the State may terminate any portion of this 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 this Contract except to the extent that a Subcontractor is itself subject to an Excusable Failure condition described above and Contractor cannot reasonably circumvent the effect of the Subcontractor's default or delay in performance through the use of alternate sources, workaround plans or other means.

2.203 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.

2.21 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 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 this 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 this 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 ITB 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 this 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 (i) stop all work as specified in the notice of termination, (ii) 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, (iii) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (iv) in the event that the Contractor maintains title in Deliverables that is intended to be transferred to the State at the termination of this 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 this Contract and which are resulting from this 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 (v) 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 this 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.

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

2.217 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 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.

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

(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 this Contract expiration that result from transition operations) at the rates specified herein. 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.

2.22 Termination by Contractor

2.221 Termination by Contractor

If the State materially 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 the 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.

2.23 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 this 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 this 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 this 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 this 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.

2.24 Reserved

2.25 Dispute Resolution

2.251 In General

Any claim, counterclaim, or dispute between the State and Contractor arising out of or relating to this 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 this 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 this Contract will be honored in order that each of the parties may be fully advised of the other's position.

(iii) The specific format for the discussions will be left to the discretion of the designated State and Contractor representatives, but may include the preparation of agreed upon statements of fact or written statements of position.

(iv) Following the completion of this process within 60 calendar days, the Director of Purchasing Operations, DMB, or designee, shall issue a written opinion regarding the issue(s) in dispute within 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 this 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 this 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 this 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 this Contract as provided in Section 2.210 and 2.220, as the case may be.

2.26 Federal and State Contract Requirements

2.261 Nondiscrimination

In the performance of this Contract, Contractor agrees not to discriminate against any employee or applicant for employment, with respect to his or her hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability. Contractor further agrees that every subcontract entered into for the performance of this Contract or any purchase order resulting from this Contract will contain a provision requiring non-discrimination in employment, as specified here, binding upon each Subcontractor. This covenant is required 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 this 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 this 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 this 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.

2.27 Litigation

2.271 Disclosure of Litigation

(a) Disclosure. Contractor must disclose any material criminal litigation, investigations or proceedings involving the Contractor (and each Subcontractor) or any of its officers or directors or any litigation, investigations or proceedings under the Sarbanes-Oxley Act. In addition, each Contractor (and each Subcontractor) must notify the State of any material civil litigation, arbitration or proceeding which arises during the term of this 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 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.

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

(i) Within 30 days of Contractor becoming aware that a change in its ownership or officers has occurred, or is certain to occur, or a change that could result in changes in the valuation of its capitalized assets in the accounting records, Contractor shall notify the Office of Purchasing Operations.

(ii) Contractor shall also notify the Office of Purchasing Operations within 30 days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.

(iii) Contractor shall also notify Purchasing Operations within 30 days whenever changes to company affiliations occur.

2.272 Governing Law

This 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 this 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.

2.28 Environmental Provision

2.281 Environmental Provision – Reserved

2.29 General

2.291 Amendments

This 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 this Contract, or to assign or delegate any of its duties or obligations under this Contract, to any other party (whether by operation of law or otherwise), without the prior written consent of the other party; provided, however, that the State may assign this Contract to any other State agency, department, division or department without the prior consent of Contractor and Contractor may assign this Contract to an affiliate so long as such affiliate is adequately capitalized and can provide adequate assurances that such affiliate can perform this 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 this Contract or the State's ability to recover damages.

(b) Contractor may not, without the prior written approval of the State, assign its right to receive payments due under this Contract. 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 this 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 this 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 this 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 this Contract, which may be modified or amended only by a formal Contract amendment.

2.294 Headings

Captions and headings used in this 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 this 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 this Contract.

2.296 Notices

(a) Any notice given to a party under this 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 to:

The CCI (see Section 2.015 for contact information).

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 Section 1B.104 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 this Contract, or the Services of this 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 this Contract shall be deemed to be severable from all other provisions of this Contract and, if one or more of the provisions of this Contract shall be declared invalid, the remaining provisions of this Contract shall remain in full force and effect.

2.299 Consents and Approvals

Except as expressly provided otherwise in this Contract, if either party requires the consent or approval of the other party for the taking of any action under this 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 this 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 this Contract.

2.301 Survival

Any provisions of this Contract that impose continuing obligations on the parties including the parties' respective warranty, indemnity and confidentiality obligations, shall survive the expiration or termination of this Contract for any reason. Specific references to survival in this 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 this Contract, it shall act reasonably and in good faith. Unless stated otherwise in this Contract, the parties will not unreasonably delay, condition or withhold the giving of any consent, decision or approval that is either requested or reasonably required of them in order for the other party to perform its responsibilities under this Contract.

2.303 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

Contractors 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 this Contract.

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

2.306 Prevailing Wage - Reserved

2.307 Call Center Disclosure

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

2.308 Future Bidding Preclusion

Contractor acknowledges that, to the extent this Contract involves the creation, research, investigation or generation of a future ITB/RFP, it may be precluded from bidding on the subsequent ITB/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 ITB/RFP development, or as a Vendor offering free assistance) to gain a leading edge on the competitive ITB/RFP.

2.31 Reserved

2.32 Extended Purchasing

2.321 MiDEAL

Public Act 431 of 1984 permits DMB to provide purchasing services to any city, village, county, township, school district, intermediate school district, non-profit hospital, institution of higher education, community, or junior college. A current listing of approved program members is available at: http://www.michigan.gov/doingbusiness/0,1607,7-146-6586-16656--,00.html. Unless otherwise stated, it is the responsibility of the Contractor to ensure that the non-state agency is an authorized purchaser before extending the Contract pricing.

The Contractor will supply Contract Services and equipment at the established State of Michigan contract prices and terms to the extent applicable and where available. Inasmuch as these are non-state agencies, all invoices will be submitted to and payment remitted by the local unit of government on a direct and individual basis.

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

2.322 State Employee Purchases – Reserved

2.33 Federal Grant Requirements

2.331 Federal Grant Requirements

The following links contain certifications and terms which may be required for some purchases paid via Federal funds. They are included here to be utilized as required.

Lobbying Certifications are usually for agreements over $100,000. The debarment certification is required for all agreements. The last link is where you can go and search for debarred or suspended Contractors.

http://straylight.law.cornell.edu/uscode/html/uscode31/usc_sec_31_00001352----000-.html
http://www.archives.gov/federal_register/codification/executive_order/12549.html
http://www.archives.gov/federal_register/executive_orders/pdf/12869.pdf
http://www.epls.gov/epls/servlet/EPLSSearchMain/1