

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

October 23, 2008

**NOTICE
 OF
 CONTRACT NO. 071B9200017**
 (Supersedes Contract No. 071B6200045)
**Between
 THE STATE OF MICHIGAN
 and**

| | |
|--|--|
| NAME & ADDRESS OF VENDOR Gordon Food Service, Inc. PO Box 1787 Grand Rapids, MI 49501 Email: mmitchell@gfs.com | TELEPHONE Marla Mitchell (800) 968-7500 |
| | VENDOR NUMBER/MAIL CODE |
| | BUYER (517) 373-0301 Sue Cieciva |
| Contract Compliance Inspector: Karen Thornburg (517) 336-6207 Prime Vendor Food and Supplies-Statewide (HPS#51 Food Purchasing Program) | |
| CONTRACT PERIOD: From: October 22, 2008 To: September 30, 2011 | |
| TERMS Refer to Section 1.061 Proposal Pricing | SHIPMENT Refer to Section 1.0709 Time Frames |
| F.O.B. Delivered | SHIPPED FROM N/A |
| MINIMUM DELIVERY REQUIREMENTS \$500.00 | |
| MISCELLANEOUS INFORMATION: | |

The terms and conditions of this Contract are attached. In the event of any conflicts between the specifications, terms and conditions indicated by the State and those indicated by the vendor, those of the State take precedence.

Estimated Contract Value: **\$12,724,683.77**

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THIS IS NOT AN ORDER: This Contract Agreement is awarded on the basis of our inquiry bearing the **ITB No. N/A**. Orders for delivery of equipment will be issued directly by State Agencies through the issuance of a Purchase Order Form.

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

FOR THE VENDOR:

FOR THE STATE:

Gordon Food Service, Inc.

 Firm Name

 Authorized Agent Signature

 Authorized Agent (Print or Type)

 Date

 Signature
Anthony Des Chenes, Director

 Name/Title
Commodities Division, Purchasing Operations

 Division

 Date



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

Contract No. [071B9200017](#)
Prime Vendor Food & Supplies – Statewide
HPS #51 – Food Purchasing Program

Buyer Name: [Sue Ciciwa](#)
Telephone Number: (517) 373-0301
E-Mail Address: ciciwas@michigan.gov



Table of Contents

DEFINITIONS 9

Article 1 – Statement of Work (SOW) 11

1.010 Project Identification..... 11

 1.011 Project Request 11

 1.012 Background-Deleted, Not Applicable 11

1.020 Scope of Work and Deliverables 11

 1.021 In Scope 11

 1.022 Work and Deliverable-Deleted, Not Applicable 11

1.030 Roles and Responsibilities 11

 1.031 Contractor Staff, Roles, and Responsibilities 11

1.040 Project Plan 13

 1.041 Project Plan Management 13

 1.042 Reports 13

1.050 Acceptance 13

 1.051 Criteria 13

 1.052 Final Acceptance-Deleted, Not Applicable 14

1.060 Proposal Pricing 14

 1.061 Proposal Pricing 14

 1.062 Price Term 15

 1.063 Tax Excluded from Price 15

 1.064 Holdback-Deleted, Not Applicable 15

1.070 Commodity Requirements and Terms 15

Product Quality 15

 1.0701 Specifications 15

 1.0702 Alternate Bids-Deleted, Not Applicable 15

 1.0703 Research and Development 15

 1.0704 Quality Assurance Program 16

 1.0705 Warranty for Products or Services-Deleted, Not Applicable 17

 1.0706 Training 17

 1.0707 Special Programs 17

 1.0708 Security 21

Delivery Capabilities 21

 1.0709 Time Frames 21

 1.0710 Minimum Order 22

 1.0711 Packaging 22

 1.0712 Palletizing 22

 1.0713 Delivery Term 23

 1.0714 Contract Performance- Deleted, Not Applicable 23

 1.0715 Place of Performance – Deleted, Not Applicable 23

 1.0716 Environmental Requirements 23

 1.0717 Subcontractors-Deleted, Not Applicable 24

 1.0718 Reports and Meetings-Deleted, Not Applicable 24

 1.0719 Samples/Models-Deleted, Not Applicable 24

1.080 Additional Requirements 24

 1.081 Fuel Surcharge 24

Article 2, Terms and Conditions 26

2.000 Contract Structure and Term 26

 2.001 Contract Term 26



| | | |
|--------------|--|-----------|
| 2.002 | Renewal(s)-Deleted, Not Applicable..... | 26 |
| 2.003 | Legal Effect..... | 26 |
| 2.004 | Attachments & Exhibits | 26 |
| 2.005 | Ordering | 26 |
| 2.006 | Order of Precedence | 26 |
| 2.007 | Headings | 27 |
| 2.008 | Form, Function & Utility | 27 |
| 2.009 | Reformation and Severability..... | 27 |
| 2.010 | Consents and Approvals..... | 27 |
| 2.011 | No Waiver of Default | 27 |
| 2.012 | Survival..... | 27 |
| 2.020 | <i>Contract Administration</i> | 27 |
| 2.021 | Issuing Office..... | 27 |
| 2.022 | Contract Compliance Inspector (CCI)..... | 27 |
| 2.023 | Project Manager-Deleted, Not Applicable..... | 28 |
| 2.024 | Change Requests | 28 |
| 2.025 | Notices | 28 |
| 2.026 | Binding Commitments..... | 29 |
| 2.027 | Relationship of the Parties | 29 |
| 2.028 | Covenant of Good Faith | 29 |
| 2.029 | Assignments..... | 29 |
| 2.030 | <i>General Provisions</i> | 30 |
| 2.031 | Media Releases | 30 |
| 2.032 | Contract Distribution | 30 |
| 2.033 | Permits..... | 30 |
| 2.034 | Website Incorporation..... | 30 |
| 2.035 | Future Bidding Preclusion | 30 |
| 2.036 | Freedom of Information | 30 |
| 2.037 | Disaster Recovery | 30 |
| 2.040 | <i>Financial Provisions</i> | 30 |
| 2.041 | Fixed Prices for Services/Deliverables | 30 |
| 2.042 | Adjustments for Reductions in Scope of Services/Deliverables | 31 |
| 2.043 | Services/Deliverables Covered..... | 31 |
| 2.044 | Invoicing and Payment – In General..... | 31 |
| 2.045 | Pro-ration-Deleted, Not Applicable..... | 31 |
| 2.046 | Antitrust Assignment..... | 31 |
| 2.047 | Final Payment-Deleted Not Applicable..... | 31 |
| 2.048 | Electronic Payment Requirement | 31 |
| 2.050 | <i>Taxes</i> | 32 |
| 2.051 | Employment Taxes | 32 |
| 2.052 | Sales and Use Taxes | 32 |
| 2.060 | <i>Contract Management.....</i> | 32 |
| 2.061 | Contractor Personnel Qualifications..... | 32 |
| 2.062 | Contractor Key Personnel..... | 32 |
| 2.063 | Re-assignment of Personnel at the State’s Request | 33 |
| 2.064 | Contractor Personnel Location | 33 |
| 2.065 | Contractor Identification | 33 |
| 2.066 | Cooperation with Third Parties..... | 33 |
| 2.067 | Contract Management Responsibilities | 33 |
| 2.068 | Contractor Return of State Equipment/Resources | 34 |
| 2.070 | <i>Subcontracting by Contractor</i> | 34 |
| 2.071 | Contractor full Responsibility | 34 |
| 2.072 | State Consent to delegation..... | 34 |
| 2.073 | Subcontractor bound to Contract | 34 |
| 2.074 | Flow Down..... | 34 |



| | | |
|--------------|--|-----------|
| 2.075 | Competitive Selection | 34 |
| 2.080 | <i>State Responsibilities</i> | 35 |
| 2.081 | Equipment-Deleted, Not Applicable..... | 35 |
| 2.082 | Facilities-Deleted, Not Applicable | 35 |
| 2.090 | <i>Security</i> | 35 |
| 2.091 | Background Checks..... | 35 |
| 2.092 | Security Breach Notification | 35 |
| 2.093 | PCI Data Security Requirements | 35 |
| 2.100 | <i>Confidentiality</i> | 36 |
| 2.101 | Confidentiality..... | 36 |
| 2.102 | Protection and Destruction of Confidential Information | 36 |
| 2.103 | Exclusions | 36 |
| 2.104 | No Implied Rights | 37 |
| 2.105 | Respective Obligations | 37 |
| 2.110 | <i>Records and Inspections</i> | 37 |
| 2.111 | Inspection of Work Performed | 37 |
| 2.112 | Examination of Records | 37 |
| 2.113 | Retention of Records | 37 |
| 2.114 | Audit Resolution | 37 |
| 2.115 | Errors..... | 38 |
| 2.120 | <i>Warranties</i> | 38 |
| 2.121 | Warranties and Representations | 38 |
| 2.122 | Warranty of Merchantability | 39 |
| 2.123 | Warranty of Fitness for a Particular Purpose..... | 39 |
| 2.124 | Warranty of Title-Deleted, Not Applicable | 39 |
| 2.125 | Equipment Warranty-Deleted, Not Applicable..... | 39 |
| 2.126 | Equipment to be New-Deleted, Not Applicable..... | 39 |
| 2.127 | Prohibited Products..... | 39 |
| 2.128 | Consequences For Breach | 40 |
| 2.130 | <i>Insurance</i> | 40 |
| 2.131 | Liability Insurance..... | 40 |
| 2.132 | Subcontractor Insurance Coverage..... | 41 |
| 2.133 | Certificates of Insurance and Other Requirements | 42 |
| 2.140 | <i>Indemnification</i> | 42 |
| 2.141 | General Indemnification | 42 |
| 2.142 | Code Indemnification | 42 |
| 2.143 | Employee Indemnification | 42 |
| 2.144 | Patent/Copyright Infringement Indemnification | 43 |
| 2.145 | Continuation of Indemnification Obligations..... | 43 |
| 2.146 | Indemnification Procedures..... | 43 |
| 2.150 | <i>Termination/Cancellation</i> | 44 |
| 2.151 | Notice and Right to Cure..... | 44 |
| 2.152 | Termination for Cause | 44 |
| 2.153 | Termination for Convenience | 45 |
| 2.154 | Termination for Non-Appropriation..... | 45 |
| 2.155 | Termination for Criminal Conviction..... | 45 |
| 2.156 | Termination for Approvals Rescinded..... | 46 |
| 2.157 | Rights and Obligations upon Termination | 46 |
| 2.158 | Reservation of Rights..... | 46 |
| 2.160 | <i>Termination by Contractor</i> | 46 |
| 2.161 | Termination by Contractor..... | 46 |
| 2.170 | <i>Transition Responsibilities</i> | 47 |
| 2.171 | Contractor Transition Responsibilities..... | 47 |



| | | |
|--------------|--|-----------|
| 2.172 | Contractor Personnel Transition..... | 47 |
| 2.173 | Contractor Information Transition..... | 47 |
| 2.174 | Contractor Software Transition..... | 47 |
| 2.175 | Transition Payments..... | 47 |
| 2.176 | State Transition Responsibilities..... | 48 |
| 2.180 | <i>Stop Work</i> | 48 |
| 2.181 | Stop Work Orders..... | 48 |
| 2.182 | Cancellation or Expiration of Stop Work Order..... | 48 |
| 2.183 | Allowance of Contractor Costs..... | 48 |
| 2.190 | <i>Dispute Resolution</i> | 48 |
| 2.191 | In General..... | 48 |
| 2.192 | Informal Dispute Resolution..... | 49 |
| 2.193 | Injunctive Relief..... | 49 |
| 2.194 | Continued Performance..... | 49 |
| 2.200 | <i>Federal and State Contract Requirements</i> | 49 |
| 2.201 | Nondiscrimination..... | 49 |
| 2.202 | Unfair Labor Practices..... | 50 |
| 2.203 | Workplace Safety and Discriminatory Harassment..... | 50 |
| 2.210 | <i>Governing Law</i> | 50 |
| 2.211 | Governing Law..... | 50 |
| 2.212 | Compliance with Laws..... | 50 |
| 2.213 | Jurisdiction..... | 50 |
| 2.220 | <i>Limitation of Liability</i> | 50 |
| 2.221 | Limitation of Liability..... | 50 |
| 2.230 | <i>Disclosure Responsibilities</i> | 51 |
| 2.231 | Disclosure of Litigation..... | 51 |
| 2.232 | Call Center Disclosure..... | 51 |
| 2.233 | Bankruptcy..... | 52 |
| 2.240 | <i>Performance</i> | 52 |
| 2.241 | Time of Performance..... | 52 |
| 2.242 | Service Level Agreements (SLAs)..... | 52 |
| 2.243 | Liquidated Damages..... | 52 |
| 2.244 | Excusable Failure..... | 52 |
| 2.250 | <i>Approval of Deliverables</i> | 53 |
| 2.251 | Delivery Responsibilities..... | 53 |
| 2.252 | Delivery of Deliverables..... | 53 |
| 2.253 | Testing..... | 54 |
| 2.254 | Approval of Deliverables, In General..... | 54 |
| 2.255 | Process For Approval of Written Deliverables..... | 55 |
| 2.256 | Process for Approval of Services..... | 55 |
| 2.257 | Process for Approval of Physical Deliverables..... | 55 |
| 2.258 | Final Acceptance..... | 56 |
| 2.260 | <i>Ownership-Deleted, Not Applicable</i> | 56 |
| 2.270 | <i>State Standards-Deleted, Not Applicable</i> | 56 |
| 2.280 | <i>Extended Purchasing-Deleted, Not Applicable</i> | 56 |
| 2.282 | <i>State Employee Purchases-Deleted, Not Applicable</i> | 56 |
| 2.290 | <i>Environmental Provision</i> | 56 |
| 2.291 | Environmental Provision..... | 56 |



Attachments

Systems Advantage Program Form

GFS/HPS Contract #51 Volume/Commitment Form



DEFINITIONS

“Days” means calendar days unless otherwise specified.

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

“Additional Service” means any Services/Deliverables within the scope of the Contract, but not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration.

“Audit Period” has the meaning given in **Section 2.093**.

“Business Day,” whether capitalized or not, shall mean any day other than a Saturday, Sunday or State-recognized legal holiday (as identified in the Collective Bargaining Agreement for State employees) from 8:00am EST through 5:00pm EST unless otherwise stated.

“Blanket Purchase Order” is an alternate term for Contract and is used in the States computer system.

“Business Critical” means any function identified in any Statement of Work as Business Critical.

“Chronic Failure” is defined in any applicable Service Level Agreements.

“Deleted – Not Applicable” means that section is not applicable or included in this RFP. This is used as a placeholder to maintain consistent numbering.

“Deliverable” means physical goods and/or commodities as required or identified by a Statement of Work

“DMB” means the Michigan Department of Management and Budget

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

“Excusable Failure” has the meaning given in **Section 2.214**.

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

“Incident” means any interruption in Services.

“ITB” is a generic term used to describe an Invitation to Bid. The ITB serves as the document for transmitting the RFP to potential bidders

“Key Personnel” means any Personnel designated in **Section 1.031** as Key Personnel.

“New Work” means any Services/Deliverables outside the scope of the Contract and not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration.



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

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

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

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

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

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

“Services” means any function performed for the benefit of the State.

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

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

“Subcontractor” means a company 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.

“Unauthorized Removal” means the Contractor’s removal of Key Personnel without the prior written consent of the State.

“Waste prevention” means source reduction and reuse, but not recycling.

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

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

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



Article 1 – Statement of Work (SOW)

1.010 Project Identification

1.011 Project Request

This is a Prime Vendor Food Contract. The purpose of this Contract is to provide various food, disposable paper products, and other supplies to various state agencies, primarily the Department of Military and Veterans Affairs, Grand Rapids Home for Veterans and the Department of Community Health. This contract is based on the Hospital Purchasing Service (HPS) Food Purchasing Program (HPS Agreement #51).

1.012 Background-Deleted, Not Applicable

1.020 Scope of Work and Deliverables

1.021 In Scope

The State of Michigan requires a contract for various food and disposable paper products and supplies. The Contractor shall provide the food and disposable paper products and supplies as specified and deliver in the time frame specified below.

1.022 Work and Deliverable-Deleted, Not Applicable

1.030 Roles and Responsibilities

1.031 Contractor Staff, Roles, and Responsibilities

The Contractor has the capacity to receive orders electronically, by phone, facsimile, and by written order. Contractors shall have internal controls, approved by Purchasing Operations, to insure that authorized individuals with the State place orders. The Contractor shall verify orders that have quantities that appear to be abnormal or excessive.

It is the preference of the State of Michigan that the Contractor have an accessible customer service department with an individual specifically assigned to State of Michigan accounts. It is the preference of the State of Michigan that the Contractor have experienced sales representatives make timely personal visits to State accounts. The Contractor's customer service must respond to State agency inquiries promptly. It is the preference of the State of Michigan that the Contractor provides a statewide toll-free number for customer service calls.

All orders shall be placed through your GFS Customer Development Specialist or GFS Experience at gfs.com.

Gordon Food Service
PO Box 1787
Grand Rapids, MI 49501
800-968-7500 - Main Office
800-968-4164 - Customer Service

Please indicate on your purchase order, "Prices per HPS #51."



Additions to Your Order

To ensure that your delivery reaches you in a timely manner, we request that you limit additions to your order when possible. Any add-on orders must be phoned in by 11:00 AM Eastern Time on the day prior to the day that the order is delivered. We will make every effort to accommodate your request; however, additions cannot always be accepted because of limited space on our trucks. If our truck is filled to capacity, the GFS Representative will alert you at the time of the call, or will notify you as soon as they are informed of the issue by our transportation department.

Substitutions

Per GFS policy, we will not make any substitution or back order without the approval of our customer.

Our electronic order entry system and/or your GFS Representative will notify the HPS member in the event that an item is temporarily out-of-stock. Together, they can take the necessary steps toward approval of a substitution. With member consent, the substitution will be ordered in place of the regular item.

ELECTRONIC CAPABILITIES:

GFS Experience

For your convenience, Gordon Food Service has designed an Internet-based ordering system called GFS Experience. With just a few clicks, you'll be able to:

- Place an order
- View an order
- Check an account balance
- Pay invoices

User friendly *GFS Experience* allows you to manage your account online while simultaneously providing access to other useful resources. Additional features include e-Zines, Daily Tips, Cookbooks, a Resource Library, a Calendar of Events, and Articles on Practical Business Solutions.

HPS members also have a "contract icon" available to them on *GFS Experience*. This icon highlights the HPS negotiated savings at the item level and helps direct the member to utilize the manufacturer's contract to bring additional savings to their bottom line. This feature is only available on *GFS Experience*.

EDI

Our Electronic Data Interchange (EDI) capabilities allow for inter-company computer-to-computer exchange of business documents in standard formats. We are able to produce reports in a customized file layout to be transferred electronically to you. Transactions available through EDI include invoices, payment/remittance advice, price/sales catalog, purchase orders, purchase order acknowledgement, and daily invoice feeds. Use of EDI:

- Improves the efficiency and accuracy of ordering
- Allows more control over invoices and credit memos
- Increases timeliness and accuracy of payment application
- Reduces non-value-added activities
- Enhances business relationships
- Removes excess paperwork and clerical costs
- Helps you gain a competitive advantage
- Simplifies business processes



GFS Plus

Twenty-four-hour access to all products, pricing, and nutrition information is available through our *GFS Plus* software. With this program, you can access the entire GFS catalog and place orders. *GFS Plus* lets you create your own recipes and develop full menu concepts using the Recipe and Menu Manager.

GFS' proprietary Inventory Manager, another *GFS Plus* module, tracks inventory and monitors usage to facilitate accurate ordering decisions. The Catering Manager helps develop customized catering menus and determine consistent pricing.

Gordon Food Service will provide training for both *GFS Plus* and *GFS Experience* upon installation of computer software.

GFS Trans Pro

Our Sales Service Team is equipped with our *GFS Trans Pro* mobile technology. This hand-held system goes everywhere our drivers go, speeding the check-in process and improving accuracy.

Each product is scanned as it comes off the truck at your site to assure that HPS members receive a complete order. If any adjustments need to be made to the invoice, your Sales Serviceman can make them quickly and easily. *GFS Trans Pro* electronically captures a signature to confirm that you have received the delivery, generating less paperwork and increasing accuracy. Your members spend less time checking in orders and tracking down products, allowing them to spend more time on their business.

Any supplies and services to be furnished under this Contract shall be ordered by issuance of a purchase order, unless otherwise defined within this Contract, orders will be issued by various state agencies.

All purchase orders are subject to the terms and conditions of this Contract. In the event of a conflict between a purchase order and the Contract, the Contract shall control.

If mailed, a purchase order is considered "issued" when the State deposits the order in the mail. Orders may be issued orally, by facsimile, or by electronic commerce methods.

1.040 Project Plan

1.041 Project Plan Management

The Contractor will carry out this project under the direction and control of the Department of Management and Budget (DMB), Purchasing Operations.

1.042 Reports

The Contractor Shall have the capability of preparing reports as needed for managing this Contract at the request of DMB, Purchasing Operations.

1.050 Acceptance

1.051 Criteria

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

The various State agencies will review various food and disposable paper products and supplies and approve acceptance of goods upon delivery.



1.052 Final Acceptance-Deleted, Not Applicable

1.060 Proposal Pricing

1.061 Proposal Pricing

Proposal pricing is per the following pricing formulas. GFS will maintain the overall markup of the product category. Cost is defined as manufacturer’s invoice price to GFS, plus incoming freight charges and labeling cost, less all off-invoice allowances. Incoming cash discounts to GFS do not reduce cost. HPS will perform quarterly audits, specifically on the cost plus mechanism. (See special commitment offerings for further incentives).

| Product Category | Markup |
|--|----------------------------------|
| Grocery | 10.9% |
| Frozen | 12.9% |
| Protein | 9.25% |
| *Meat** | 9.25% |
| *Poultry** | 9.25% |
| *Seafood** | 9.25% |
| Disposables | 14.5% |
| *Dairy | 11.7% |
| *Produce | Cost Plus \$1.00 on Top 20 items |
| Tabletop | 13.0% |
| Clean Power*** | Agreed Upon Contractual Pricing |
| Beverage Systems*** | Agreed Upon Contractual Pricing |
| Ready-to-Drink Beverages | 10.9% |
| Supplements – Dry GFS Subgroup 10110 | 8% |
| Supplements – Frozen GFS Subgroup 14180 | 8% |

Prices are applicable to full cases. Outlined below is some additional information relating to specific categories of product and cost management guidelines to ensure the most value.

*Prices subject to weekly market changes are price guaranteed for seven days- Monday through Sunday. These include all Meat, Seafood, Poultry, Produce, Dairy and several Shortening and Oil items. All other product categories are considered to be "monthly" and pricing may change at the beginning of the GFS fiscal month.

**Commodity meat pricing, if lower, will override the cost-plus formula.

***These categories provide reduced pricing for items not included in other HPS agreements.

****Cost plus \$1.00 or less is for the top 20 volume produce items, all other produce products will be priced to HPS members at the competitive "C" bracket.

The pricing for this Contract is based on Gordon Food Service’s cost of product. Our cost is defined as:

Manufacturer's invoice cost to Gordon Food Service plus freight, plus up to an additional 1% for all GFS label products, minus customer specific off invoice allowances from the manufacturer. Cash discounts do not reduce cost.



Gordon Food Service "BACKHAULS" some products distributed. In these situations, Gordon Food Service assigns a freight rate based on a competitive rate negotiated through common carriers.

Gordon Food Service receives additional moneys, including but not limited to, promotional allowances, volume incentives, and additional marketing funds that are not part of customer cost calculations.

Payment terms will be determined on an individual basis. GFS is offering a 1% 10 day early pay incentive. Advanced notification to your GFS sales person of your intent to participate in this incentive must be made. After GFS has been notified, you may deduct 1% off your payment of invoices, if the mailing is post marked within 10 days of the invoice.

1.062 Price Term

Pricing for the Cost Plus Program is firm for one (1) fiscal month. Exceptions include meat, poultry, seafood, produce, dairy, and some oils. These items will be quoted on a weekly basis. Uncontrollable market conditions may necessitate price adjustments mid-week. HPS will be notified of those occasions if they occur.

When HPS contracts with vendors for individual pricing all documentation verifying this information should be forwarded to the GFS Contract Administration Team for implementation. GFS requests that a reasonable amount of time, seven to ten (7-10) business days, be allotted to execute new pricing. GFS cannot "back" date pricing contracts if they are received after the date they go into effect. See TAB #4 for additional information on HPS pricing and manufacturer off-invoice incentives and management of the process.

1.063 Tax Excluded from Price

(a) Sales Tax: For purchases made directly by the State, the State is exempt from State and Local Sales Tax. Prices must not include the taxes. Exemption Certificates for State Sales Tax will be furnished upon request.

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

1.064 Holdback-Deleted, Not Applicable

1.070 Commodity Requirements and Terms

Product Quality

1.0701 Specifications

Definite Specifications - All commodities and/or services to be furnished hereunder shall conform to specifications.

1.0702 Alternate Bids-Deleted, Not Applicable

1.0703 Research and Development

Contractor shall invest in new product development and research to stay current with ongoing demands.



1.0704 Quality Assurance Program

At Gordon Food Service, we take pride in our work. Our dedication to quality has allowed us to become one of the most reputable distributors in our industry; you can depend on GFS for consistent quality products.

Hazard Analysis Critical Control Point (HACCP)

Due to our HACCP procedures, and in the desire to protect our customers, Gordon Food Service cannot accept any of the following products for return to our Distribution Centers. However, where appropriate, credits will be issued.

- Produce (fresh cut potatoes, mushrooms, Markon/Redi-Cut vegetables, head lettuce, Markon/Fresh Express salads, wet salads, herbs, grapes, and fresh soups)
- Fresh juices
- Dairy products (milk, eggs, yogurt, cream cheese, cottage cheese)
- Fresh chicken products
- Fresh ground beef, fresh steaks, boxed beef products
- Frozen buttermilk biscuit dough
- Refrigerated dressings
- Ice cream
- Any cooler items that have been out of GFS' possession (Ex: the date of return does not match the date on the pick sticker)
- Cooler products that are no longer cold (above 45° F)
- Products that are excessively damaged
- Frozen items with excessive evidence of thaw/refreeze
- Frozen items with excessively damaged packaging

Everything else that is returned must meet stringent guidelines before it can be returned to our inventory. Each HPS member should contact their GFS representative to facilitate this activity.

Recall Procedures

In the event that an HPS member purchases a product that is involved in a manufacturer recall, the member's GFS Customer Service/Chain Account Representative will contact them by phone or fax with an urgent product recall notice. A subsequent mailing detailing the recall and the steps to follow regarding the recalled product will follow this notice.

For everyone's protection, Gordon Food Service requests that any HPS member call their representative for clarification if they hear of a product recall and suspect that their inventory may be involved.

Quality Assurance Lab

Our on-site Quality Assurance Lab is a rarity in the Foodservice Distribution Industry. The products we ship to your door have undergone rigorous tests. Our dedication to quality allows us to offer you a consistent product with a competitive advantage.

Nutrition Resource Center (NRC)

The Nutrition Resource Center at Gordon Food Service is your foremost source for nutrition awareness as well as general food safety and ingredient information. The NRC offers customer education from a team of highly qualified nutrition experts, including four registered dietitians. The team at the NRC will be a practical resource for addressing the HPS member's nutrition and food safety issues.



1.0705 Warranty for Products or Services-Deleted, Not Applicable

1.0706 Training

The Contractor shall provide training to individual agencies, when necessary, on aspects of ordering, shipping, billing, and receiving. At the request of the Contract Administrator, the Contractor shall provide in-service training to agency personnel on products, installation, and product safety issues. The Contractor shall also provide agency training jointly with the State as needed during the period covered by the contract at no additional charge.

1.0707 Special Programs

VENDOR REBATE SYSTEM:

GFS will enroll HPS members in all vendors rebate and coupon programs set up by our vendors. They will receive a usage report and original coupon that they must send to the vendor at the end of the rebate period highlighting appropriate vendors. Monies will be refunded to HPS Members in the form of a check from the vendor sponsor. Manufacturers that have contracts and/or allowances already in place with HPS may decline to reimburse a rebate or coupon redemption at their discretion per the criteria on the original coupon.

PERFORMANCE INCENTIVES:

Gordon Food Service is pleased to offer the following weekly volume incentive program to committed* Healthcare Foodservice members for the contract period of October 1, 2008 through September 30, 2011. Committed members will receive their rebate semi annually (July and January). They are based on average weekly purchases during each six-month measurement period. This volume does not include the commodity Boxed Beef category. As an option, rebate checks will be available for those customers purchasing over \$5,000.00 per week.

VOLUME COMMITMENT INCENTIVE PROGRAM

| <u>PURCHASING LEVEL</u> | <u>% SEMI ANNUAL REBATE</u> |
|--------------------------------|------------------------------------|
| \$25,000 weekly average | 4.0% |
| \$22,500 weekly average | 3.75% |
| \$20,000 weekly average | 3.5% |
| \$17,500 weekly average | 3.25% |
| \$15,000 weekly average | 3.0% |
| \$12,500 weekly average | 2.75% |
| \$10,000 weekly average | 2.5% |
| \$ 7,500 weekly average | 2.0% |
| \$ 5,000 weekly average | 1.5% |
| \$ 4,000 weekly average | 1.0% |
| \$ 3,000 weekly average | .75% |
| Below \$3,000/ wk avg | .50% |



Gordon Food Service reserves the right to deduct any and all finance charges that may accrue on an individual 9 digit customer number before issuing a volume commitment incentive or any other HPS rebate.

*** A committed member is defined as a single nine-digit customer number that has signed a GFS / HPS Contract #51 Commitment Form and is complying with the terms of that form. See attached Contract #51 Commitment Form.**

SYSTEMS ADVANTAGE PROGRAM:

Systems Advantage is an additional program available to contract #51 committed* Healthcare HPS members. **In addition to the Volume Commitment Incentive Program, Gordon Food Service will extend an additional 1% (one percent) rebate on all purchases (excluding Boxed Beef) to System Advantage customers.** Participation in the Systems Advantage rebate is accessed by committing to the purchase of GFS Cleanpower and Beverage Systems, Tyco Liners, GFS Disposables, Produce and Tabletop Items. These product categories represent numerous HPS agreements in addition to contract #51.

This program will provide the benefit of an additional rebate of 1% to the basic HPS program regardless of purchasing level.

HPS members who utilize this program are effectively committing 95% of their available purchases to this contract. Therefore, additional incentives for participating in Systems Advantage will include:

An accelerated rebate timetable of 90 days (Quarterly Calendar)

and

GFS Marketplace five percent (5%) Discounts Cards
for all *Systems Advantage* Facility Employees

HPS members will enjoy the benefits of the Systems Advantage (SA) program by committing in writing and complying with the requirements of the program. A signed commitment form must be in the GFS Agreements Department (Attn: Ted James, Mail code 10021-4836) **before** the additional 1% rebate can be accrued toward the HPS member's account. Systems Advantage becomes effective on receipt of the signed commitment form in the GFS Agreements Department. Each 9-digit account number must have a signed form on file for the rebate to be paid out. The Conditions of Volume Commitment Incentive Program apply to the Systems Advantage program.

GORDON FOOD SERVICE BRAND LABEL INCENTIVE PROGRAM:

GFS is excited to be offering the Hospital Purchasing Service the following new allowance on its entire line of "GFS" Branded Products. If any additional GFS Brand Products are added, they will automatically be valid under the terms of this agreement. GFS' Private Label Rebate is designed to embrace Efficient Foodservice Response (EFR) initiatives by eliminating unnecessary costs and passing the savings onto the Committed HPS members. Participation in the GFS Private Label Rebate Program simplifies the way GFS can do business and allows GFS to deliver the right products, at the right time in the proper condition, at the right price for the appropriate application.

GFS will track all Committed HPS Healthcare Members whose quarterly purchase volume exceeds \$10,000.00 from all GFS divisional distribution centers and establish the percentage of GFS Brand dollar purchases relative to total dollar purchases by the individual Committed HPS Member facility. Gordon Food Service will pay the GFS Brand Private Label Rebate on the percent of GFS Brand Product purchases made by the Committed HPS Member in accordance with the GFS Private



Label Rebate Matrix. This allowance is calculated and rebated directly by GFS to the Committed HPS Member.

Gordon Food Service is offering the following allowance on “GFS” Brand Products. This rebate is based on quarterly volume and will be paid out in credit memo format on a quarterly basis starting with volume generated in October – December, 2008 (and paid out in January 2009). **The baseline to receive the rebate is 46% GFS Branded product mix.**

When an individual facility hits that 46% target level for the quarter plus meets the minimum volume requirement, they will become eligible to receive the commensurate rebate percent to their volume of GFS Branded products.

All GFS Branded products are included and there are no exceptions where an allowance may already be in place. GFS Core Brands include the *Gordon Signature*, GFS, and *Kitchen Essentials*. Gordon Food Service Exclusive Brands include *Markon*, *Cleanpower*, *Primo Gusto*, *Natural Choice (Fruits and Juices)*, *Mosaic (Coffee)*, *Black Angus Beef*, *Brickman’s*, *Cattleman’s Reserve*, *Hearthstone Classics*, *Pepper Mill*, *Trade East*, and *Triumph*.

| <u>GFS Brand %</u> | <u>Rebate %</u> |
|---------------------|-----------------|
| 46.00-48.99% | .25% |
| 49.00-51.99% | .50% |
| 52.00-54.99% | .75% |
| 55% -up | 1.00% |

Example: HPS member purchases \$100,000 total volume from GFS through HPS program. Of that volume, 50% is GFS label product. The rebate for 50% is a half percent (.50%). The member would receive a credit memo for \$250.00. (\$100,000 X 50% [GFS label %] = \$50,000 [eligible for the half percent credit] = \$250.00)

MARKETPLACE STORES:

At GFS, we want to ensure that you have access to our products on a daily basis. In the event that you run out of something before your next delivery, you can visit any of our GFS Marketplace Stores. With over 100 locations and more on the way, we’re sure to have a location near you. To view a map of our store locations, visit our web site at <http://gfs.know-where.com/gfs/>.

Our stores offer fast, easy access to the items you use most, while allowing you to obtain the same consistent products that come off our trucks. Your GFS Representative will help you secure a Continuing Service Card to use at our stores. This card will accurately identify your account, and provide you and your card bearers access to utilize your account. Your card allows you to choose security preferences and select your invoice delivery option such as FAX or e-mail.

Each store stocks over 3,000 items that arrive straight from our warehouse, ensuring product integrity and quality. You will find friendly and knowledgeable store associates waiting to serve you. We guarantee you’ll enjoy your shopping experience in our GFS Marketplace Stores.

HPS members will receive their HPS contractual pricing when purchasing “full case” lots at any Marketplace outlet. Any product purchased in “less case” quantities will revert to the GFS Marketplace shelf pricing. Any purchase made at a Marketplace store is eligible for the HPS/GFS volume incentives and the quick pay incentive previously outlined.

**HEALTHCARE MARKETING SERVICES:**

The following marketing services are available to HPS customers at a free or reduced cost. Contact the Nutrition Resource Center at 1-800-968-4426 for current price when applicable.

Nutrition Resource Center - The NRC is your source for nutrition and food safety information. Our group of Registered Dietitians is available to you, Monday through Friday, 8am-5pm EST by calling 1-800-968-4426.

Food Safety Awareness Program – Prevention starts with education. This program offers you the services and tools needed to effectively train employees in food safety.

- ServSafe® Classes: 8 or 16 hour course that allows you to gain a nationally recognized certification.
- Food Safety E-bulletin: Stay tuned to the latest food safety trends and regulations. This email newsletter will highlight the latest food safety news in your area, communicate the ServSafe schedule and advertise new tools to help manage food safety in your operation
- GFS Experience Food Safety
 - Food Safety Inservices – Designed to save you time and money while effectively training your employees, this collection of in-services is complete with pre and post test, attendance sheets, outlines, activity ideas, certificates of completion and connections to additional resources.
 - Food Safety and Sanitation Logs and Forms – A collection of forms and logs to help your organize and document your efforts toward securing the safety of your operation. Available on CD.

NUTRITION GUIDE Your Health and Wellness Product Resource – This annual guide, designed for healthcare accounts, categorizes GFS products in groupings such as low fat, low sodium, etc.

GFS Experience Cycle Menu Management - Designed for the Healthcare segment, this on-line menu system program is your answer to an economically priced, user-friendly complete menu system.

Features of the CMM include:

- Recipe management (1500+ recipes included)
- Menu Management (GFS Menu Template included)
- Cycle Menu Reporting
- Inventory
- Production
- Ordering
- Tray Card (Coming Soon)
- Menu Ticket (Coming in 2009).

GFS Menu Templates include:

- 5 Weeks Long Term Care with Alternates
- 5 Weeks Assisted Living Selective Menu
- Spring/Summer and Fall/Winter Cycles
- Regular Carbohydrate Controlled Diet and Therapeutic or Consistency Modified Diet Types for non-selective menus
- Standardized Recipes w/HACCP guidelines
- Sample Emergency Menus



GFS Experience Healthcare In-Services: Designed to save you time and money while effectively training your employees, each training includes pre and post test, attendance sheets, outlines, activity ideas, certificates of completion and connections to additional resources.

MeasureIT – This financial management software program will provide you with the tools you need to record, monitor, and analyze your expenses on a monthly basis. Allowing you to confidently present to administration your operational success story!

Winning Themes – Creative theme meal concepts that can be used to generate excitement in your dining area.

Healthcare Advantage - Monthly permission based e-mail and 4 times per year newsletter specific to hot topics in the healthcare industry.

GFS Food Show with healthcare specific seminars

Operational Expertise for revenue generating ideas, cost-control, menu concepts, and other industry concepts.

Nationally recognized seminar leaders available for conferences.

GFS Technology is available for electronic ordering.

Services are subject to change.

- * Negotiated and approved for HPS Member/Participants by the Food Service Administrators Advisory Committee.

1.0708 Security

The Contract may require frequent deliveries to State of Michigan facilities. The State will decide whether to issue State ID badges to the Contractor's delivery personnel. The State may decide to also perform a security background check. If so, the Contractor will be required to provide to the State a list of all delivery people that will service State of Michigan facilities, including name and date of birth (social security number or driver license number would also be helpful).

The Contractor and its subcontractors shall comply with the security access requirements of individual State facilities; see section 2.051, Background Checks and Security.

Delivery Capabilities

1.0709 Time Frames

GFS will offer the following ordering and delivery schedules to the HPS members.

Skip Day Deliveries

There will be one (1) working day between the day you place the order and the day the order is delivered. Each individual member will work with GFS Sales and Sales Service to put together the most efficient and effective delivery schedule for each location.

The following schedule outlines Skip Day ordering:



| Order Day | Delivery Day |
|-----------|--------------|
| Monday | Wednesday |
| Tuesday | Thursday |
| Wednesday | Friday |
| Thursday | Monday |
| Friday | Tuesday |

Two Day Lead (TDL) Delivery Items

Certain slower moving items are only available only on a skip day basis. These are referred to as TDL items. These items are not available to add to your order and will be listed on the front page of your GFS order guide for quick reference.

Additions to Your Order

To ensure that your delivery reaches you in a timely manner, we request that you limit additions to your order when possible. Any add-on orders must be phoned in by 11:00 AM Eastern Time on the day prior to the day that the order is delivered. We will make every effort to accommodate your request; however, additions cannot always be accepted because of limited space on our trucks. If our truck is filled to capacity, the GFS Representative will alert you at the time of the call, or will notify you as soon as they are informed of the issue by our transportation department.

Substitutions

Per GFS policy, we will not make any substitution or back order without the approval of our customer.

Our electronic order entry system and/or your GFS Representative will notify the HPS member in the event that an item is temporarily out-of-stock. Together, they can take the necessary steps toward approval of a substitution. With member consent, the substitution will be ordered in place of the regular item.

1.0710 Minimum Order

The minimum order is \$500.00.

1.0711 Packaging

The Contractor is requested to provide packaging that most closely meets these packaging sizes. However, bidders can submit alternates. The state reserves the right of final approval on packaging offered by the bidder.

Packaging and containers, etc., shall be in accordance with supplier's commercial practice and shall meet the requirements of Department of Transportation (D.O.T.) and rail and motor carrier freight classifications in effect at time of shipment, which will permit application of the lowest freight rate.

1.0712 Palletizing

Shipments shall be palletized whenever possible and shall conform to the following:

- Manufacturer’s standard 4-way shipping pallets are acceptable.
- Maximum height: 5'6"; including pallet.
- Maximum weight: 3500 pounds; including pallet.
- Pallets are to be securely banded or shrink-wrapped.
- The cost of palletizing must be included in the unit price.



1.0713 Delivery Term

Prices are "F.O.B. Delivered" with transportation charges prepaid on all orders of \$500.00 or more to the various State agencies.

1.0714 Contract Performance-Deleted, Not Applicable

1.0715 Place of Performance-Deleted, Not Applicable

1.0716 Environmental Requirements

I. Recycled Content and Recyclability

A. Recycled Packaging. Bidders may offer some or all of the following items listed below or provide alternative proposal as to how packaging materials can be reduced, eliminated or otherwise made more environmentally preferable. It is desirable that Bidders offer packaging which:

- a. is made from recycled content which meets or exceeds all federal and state recycled content guidelines (currently 35% post-consumer for all corrugated cardboard)
- b. minimizes or eliminates the use of polystyrene or other difficult to recycle materials
- c. minimizes or eliminates the use packaging and containers and, in the alternative, minimizes or eliminates the use of non-recyclable packaging and containers
- d. provides for a return program where packaging can be returned to a specific location for recycling
- e. contains materials which are easily recyclable in Michigan.

II. Materials Identification and Tracking

A. Hazardous Material Identification. 'Hazardous material', as used in this clause, includes any material defined as hazardous under the latest version of federal Emergency Planning and Community Right-to-Know Act of 1986 (including revisions adopted during the term of the contract).

B. Mercury Content. It is the clear intent of state agencies to avoid purchasing products that contain intentionally-added mercury whenever possible. Bidders shall offer mercury-free product alternatives whenever available. Should mercury-free alternatives not exist, as presently is the case with a few select products and devices such as fluorescent lamps or where the alternative is not yet cost competitive, such as dental amalgam, bidders shall offer the lowest mercury content available for a given application. Bidders shall disclose whenever products contain added-mercury by using the following format.

C. Brominated Flame Retardants (BFR). Bidders shall disclose whether the products being offered contain toxic flame retardants. Bidders are encouraged to provide BFR-free alternatives when available.

D. Ozone Depleting Substances

'Ozone-depleting substance', as used in this clause, means any substance the Environmental Protection Agency designates in 40 CFR part 82 as:

- (1) Class I, including, but not limited to, chlorofluorocarbons, halons, carbon tetrachloride, and methyl chloroform; or
- (2) Class II, including, but not limited to, hydrochlorofluorocarbons.

The Contractor shall label products which contain or are manufactured with ozone-depleting substances



in the manner and to the extent required by 42 U.S.C. 7671j (b), (c), and (d) and 40 CFR part 82, Subpart E, as follows:

‘Warning: Contains (or manufactured with, if applicable) _____ (insert the name of the substance(s).), a substance(s) which harm(s) public health and environment by destroying ozone in the upper atmosphere.’

A. Clean Air and Water

The Contractor certifies that any facility to be used in the performance of this contract has all the necessary environmental permits and is in consistent compliance with all applicable environmental requirements and has no outstanding unresolved violations.

The Contractor will immediately notify the state, before award, of the receipt of any communication from the Environmental Protection Agency or any state environmental agency, of civil or criminal enforcement for any facility that the vendor proposes to use in the performance of this Contract.

B. Emergency Planning and Community Right-to-Know Reporting - By signing this offer, the bidder certifies that:

(1) The owner or operator of each facility that will be used in the performance of this contract is in compliance with the filing and reporting requirements described in sections 302, 304, 311, 312 and 313 of the Emergency Planning and Community Right-to-Know Act of 1986 (EPCRA) (42 U.S.C. 11001, et. seq.) and section 6607 of the Pollution Prevention Act of 1990 (PPA) (42 U.S.C. 13101, et. seq.). EPCRA filing and reporting requirements include emergency planning notification, release reporting, hazardous chemical inventory reporting, and toxic chemical release inventory (TRI) reporting.

(2) The owner or operator of each facility that will be used in the performance of this contract will maintain compliance with the filing and reporting requirements described in sections 302, 304, 311, 312 and 313 of the Emergency Planning and Community Right-to-Know Act of 1986 (EPCRA) (42 U.S.C. 11001, et. seq.) and section 6607 of the Pollution Prevention Act of 1990 (PPA) (42 U.S.C. 13101, et. seq.) for the life of this Contract.

1.0717 Subcontractors-Deleted, Not Applicable

1.0718 Reports and Meetings-Deleted, Not Applicable

1.0719 Samples/Models-Deleted, Not Applicable

1.080 Additional Requirements

1.081 Fuel Surcharge

Rising energy costs will necessitate that a fuel surcharge be implemented. Gordon Food Service will adhere to the industry standards of a quarterly assessment. The surcharge will be adjusted based upon weekly reporting, reviewed quarterly, for “Retail Diesel Prices” as published by the Energy Information Administration (EIA), a division of the United States Department of Energy.

The diesel cost will be based on the U.S. Average for Retail On-Highway Diesel Price per Gallon for the continental United States as published by the United States Energy Information Agency (website <http://tonto.eia.doe.gov/oog/info/wohdp/diesel.asp>), or another similar index reasonably chosen by us. The average of the diesel cost for the first 10 weeks of a calendar quarter will apply



to the next quarter. When the cost of diesel fuel falls under \$3.00 per U.S. gallon, no surcharge will be implemented. The following scale details the surcharge per case.

| <u>EIA Average</u> | <u>Flat Rate</u> |
|---------------------|------------------|
| less than \$3.00 | \$.NONE |
| \$3.001.....\$3.250 | \$2.00 |
| \$3.251.....\$3.500 | \$3.00 |
| \$3.511.....\$3.750 | \$4.00 |
| \$3.751.....\$4.000 | \$5.00 |
| \$4.001.....\$4.250 | \$6.00 |
| \$4.251.....\$4.500 | \$7.00 |
| \$4.511.....\$4.750 | \$8.00 |
| \$4.751.....\$5.000 | \$9.00 |
| \$5.001.....\$5.250 | \$10.00 |
| \$5.251.....\$5.500 | \$11.00 |
| \$5.551.....\$5.750 | \$12.00 |
| \$5.751.....\$6.000 | \$13.00 |
| \$6.001.....\$6.250 | \$14.00 |
| \$6.251.....\$6.500 | \$15.00 |
| \$6.501.....\$6.750 | \$16.00 |
| \$6.751.....\$7.000 | \$17.00 |
| \$7.001.....\$7.250 | \$18.00 |
| \$7.251.....\$7.500 | \$19.00 |
| \$7.501.....\$7.750 | \$20.00 |
| \$7.751.....\$8.000 | \$21.00 |
| \$8.001.....\$8.250 | \$22.00 |

Example: The previous 10-week National Average was \$4.820. Your invoices for the following quarter, starting on the 1st of the month, will be assessed a \$9.00 flat rate fuel surcharge.

Any surcharge change after implementation would come with 15 days notice to HPS.

In lieu of the above language in Section 1.081 Fuel Surcharge, GFS has notified HPS that effective April 28, 2008, all HPS members participating in HPS #51 – Food Purchasing Program will receive a \$4.00 per delivery per day fuel surcharge. It is important to note that the fuel charge is per delivery per day, not per invoice. Subject to quarterly review.



Article 2, Terms and Conditions

2.000 Contract Structure and Term

2.001 Contract Term

This Contract is for a period of two years, eleven months beginning October 22, 2008 through September 30, 2011. All outstanding Purchase Orders must also expire upon the termination (cancellation for any of the reasons listed in **Section 2.130**) of the Contract, unless otherwise extended under the Contract. Absent an early termination for any reason, Purchase Orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

2.002 Options to Renew-Deleted, Not Applicable

2.003 Legal Effect

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

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

2.004 Attachments & Exhibits

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

2.005 Ordering

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

2.006 Order of Precedence

(a) The Contract, including any Statements of Work and Exhibits, to the extent not contrary to the Contract, each of which is incorporated for all purposes, constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior agreements, whether written or oral, with respect to the subject matter and as additional terms and conditions on the purchase order must apply as limited by **Section 2.005**.

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



2.007 Headings

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

2.008 Form, Function & Utility

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

2.009 Reformation and Severability

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

2.010 Consents and Approvals

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

2.011 No Waiver of Default

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

2.012 Survival

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

2.020 Contract Administration

2.021 Issuing Office

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

Sue Ciecwiwa, Buyer Specialist
Purchasing Operations
Department of Management and Budget
Mason Bldg, 2nd Floor
PO Box 30026
Lansing, MI 48909
Telephone: (517) 373-0301
Email: ciecivas@michigan.gov

2.022 Contract Compliance Inspector (CCI)

After DMB-PurchOps receives the properly executed Contract, it is anticipated that the Director of Purchasing Operations, will direct the person named below, or any other person so designated, to monitor and coordinate the activities for the Contract on a day-to-day basis during its term. However, monitoring



of this Contract implies **no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of the Contract as that authority is retained by DMB Purchasing Operations.** The Contract Compliance Inspector for this Contract is:

Sue Ciecwiwa, Buyer Specialist
Purchasing Operations
Department of Management and Budget
Mason Bldg, 2nd Floor
PO Box 30026
Lansing, MI 48909
Telephone: (517) 373-0301
Email: ciecivas@michigan.gov

2.023 Project Manager-Deleted, Not Applicable

2.024 Change Requests

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

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

Change Requests:

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

2.025 Notices

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



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

Contractor:
Gordon Food Service
Attention: Marla Mitchell
PO Box 1787
Grand Rapids, MI 49501

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

2.026 Binding Commitments

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

2.027 Relationship of the Parties

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

2.028 Covenant of Good Faith

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

2.029 Assignments

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

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

(c) If the Contractor intends to assign the contract or any of the Contractor's rights or duties under the Contract, the Contractor must notify the State in writing at least 90 days before the assignment. The



Contractor also must provide the State with adequate information about the assignee within a reasonable amount of time before the assignment for the State to determine whether to approve the assignment.

2.030 General Provisions

2.031 Media Releases

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

2.032 Contract Distribution

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

2.033 Permits

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

2.034 Website Incorporation

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

2.035 Future Bidding Preclusion

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

2.036 Freedom of Information

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

2.037 Disaster Recovery

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

2.040 Financial Provisions

2.041 Fixed Prices for Services/Deliverables

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



2.042 Adjustments for Reductions in Scope of Services/Deliverables

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

2.043 Services/Deliverables Covered

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

2.044 Invoicing and Payment – In General

(a) Each Statement of Work issued under this Contract shall list (or indicate by reference to the appropriate Contract Exhibit) the prices for all Services/Deliverables, equipment and commodities to be provided, and the associated payment milestones and payment amounts.

(b) Each Contractor invoice will show details as to charges by Service/Deliverable component and location at a level of detail reasonably necessary to satisfy the State's accounting and charge-back requirements. Invoices for Services performed on a time and materials basis will show, for each individual, the number of hours of Services performed during the billing period, the billable skill/labor category for such person and the applicable hourly billing rate. Prompt payment by the State is contingent on the Contractor's invoices showing the amount owed by the State minus any holdback amount to be retained by the State in accordance with **Section 1.064**.

(c) Correct invoices will be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 Public Act No. 279, MCL 17.51 et seq., within 45 days after receipt, provided the State determines that the invoice was properly rendered.

(d) All invoices should reflect actual work done. Specific details of invoices and payments will be agreed upon between the Contract Administrator and the Contractor after the proposed Contract Agreement has been signed and accepted by both the Contractor and the Director of Purchasing Operations, Department of Management & Budget. This activity will occur only upon the specific written direction from Purchasing Operations.

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

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

2.045 Pro-ration-Deleted, Not Applicable

2.046 Antitrust Assignment

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

2.047 Final Payment-Deleted, Not Applicable

2.048 Electronic Payment Requirement

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



2.050 Taxes

2.051 Employment Taxes

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

2.052 Sales and Use Taxes

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

2.060 Contract Management

2.061 Contractor Personnel Qualifications

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

2.062 Contractor Key Personnel

- (a) The Contractor must provide the Contract Compliance Inspector with the names of the Key Personnel.
- (b) Key Personnel must be dedicated as defined in the Statement of Work to the Project for its duration in the applicable Statement of Work with respect to other individuals designated as Key Personnel for that Statement of Work.
- (c) The State will have the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor will notify the State of the proposed assignment, will introduce the individual to the appropriate State representatives, and will provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval. In the event the State finds a proposed individual unacceptable, the State will provide a written explanation including reasonable detail outlining the reasons for the rejection.
- (d) Contractor must not remove any Key Personnel from their assigned roles or the Contract without the prior written consent of the State. The Contractor’s removal of Key Personnel without the prior written consent of the State is an unauthorized removal (“Unauthorized Removal”). Unauthorized Removals does not include replacing Key Personnel for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation or for cause termination of the Key Personnel’s employment. Unauthorized Removals does not include replacing Key Personnel because of promotions or other job movements allowed by Contractor personnel policies or Collective Bargaining Agreement(s) as long as the State receives prior written notice before



shadowing occurs and Contractor provides 30 days of shadowing unless parties agree to a different time period. The Contractor with the State must review any Key Personnel replacements, and appropriate transition planning will be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its termination and cancellation rights.

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

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

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

2.064 Contractor Personnel Location

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

2.065 Contractor Identification

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

2.066 Cooperation with Third Parties

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

2.067 Contract Management Responsibilities

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



2.068 Contractor Return of State Equipment/Resources

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

2.070 Subcontracting by Contractor

2.071 Contractor full Responsibility

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

2.072 State Consent to delegation

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

2.073 Subcontractor bound to Contract

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

2.074 Flow Down

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

2.075 Competitive Selection

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



2.080 State Responsibilities

2.081 Equipment-Deleted, Not Applicable

2.082 Facilities-Deleted, Not Applicable

2.090 Security

2.091 Background Checks

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

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

2.092 Security Breach Notification

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

2.093 PCI Data Security Requirements

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

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

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

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



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

2.100 Confidentiality

2.101 Confidentiality

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

2.102 Protection and Destruction of Confidential Information

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

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

2.103 Exclusions

Notwithstanding the foregoing, the provisions of **Section 2.080** will not apply to any particular information which the State or Contractor can demonstrate (i) was, at the time of disclosure to it, in the public domain; (ii) after disclosure to it, is published or otherwise becomes part of the public domain through no fault of the receiving party; (iii) was in the possession of the receiving party at the time of disclosure to it without an obligation of confidentiality; (iv) was received after disclosure to it from a third party who had a lawful right to disclose the information to it without any obligation to restrict its further disclosure; or (v) was independently developed by the receiving party without reference to Confidential Information of the furnishing party. Further, the provisions of **Section 2.080** will not apply to any particular Confidential Information to the extent the receiving party is required by law to disclose the Confidential Information, provided that the receiving party (i) promptly provides the furnishing party with



notice of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of the disclosure as reasonably requested by the furnishing party.

2.104 No Implied Rights

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

2.105 Respective Obligations

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

2.110 Records and Inspections

2.111 Inspection of Work Performed

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

2.112 Examination of Records

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

2.113 Retention of Records

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

2.114 Audit Resolution

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

**2.115 Errors**

- (a) If the audit demonstrates any errors in the documents provided to the State, then the amount in error must be reflected as a credit or debit on the next invoice and in subsequent invoices until the amount is paid or refunded in full. However, a credit or debit may not be carried for more than four invoices. If a balance remains after four invoices, then the remaining amount will be due as a payment or refund within 45 days of the last quarterly invoice that the balance appeared on or termination of the contract, whichever is earlier.
- (b) In addition to other available remedies, the difference between the payment received and the correct payment amount is greater than 10%, then the Contractor must pay all of the reasonable costs of the audit.

2.120 Warranties**2.121 Warranties and Representations**

The Contractor represents and warrants:

- (a) It is capable in all respects of fulfilling and must fulfill all of its obligations under this Contract. The performance of all obligations under this Contract must be provided in a timely, professional, and workman-like manner and must meet the performance and operational standards required under this Contract.
- (b) The Contract Appendices, Attachments and Exhibits identify the equipment and software and services necessary for the Deliverable(s) to perform and Services to operate in compliance with the Contract's requirements and other standards of performance.
- (c) It is the lawful owner or licensee of any Deliverable licensed or sold to the State by Contractor or developed by Contractor under this Contract, and Contractor has all of the rights necessary to convey to the State the ownership rights or licensed use, as applicable, of any and all Deliverables. None of the Deliverables provided by Contractor to the State under this Contract, nor their use by the State, will infringe the patent, copyright, trade secret, or other proprietary rights of any third party.
- (d) If, under this Contract, Contractor procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to Contractor's other responsibilities with respect to the items in this Contract, Contractor must assign or otherwise transfer to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.
- (e) The contract signatory has the power and authority, including any necessary corporate authorizations, necessary to enter into this Contract, on behalf of Contractor.
- (f) It is qualified and registered to transact business in all locations where required.
- (g) Neither the Contractor nor any Affiliates, nor any employee of either, has, must have, or must acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any manner or degree with Contractor's performance of its duties and responsibilities to the State under this Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. Contractor must notify the State about the nature of the conflict or appearance of impropriety within two days of learning about it.
- (h) Neither Contractor nor any Affiliates, nor any employee of either has accepted or must accept anything of value based on an understanding that the actions of the Contractor or Affiliates or employee on behalf of the State would be influenced. Contractor must not attempt to influence any State employee by the direct or indirect offer of anything of value.



- (i) Neither Contractor nor any Affiliates, nor any employee of either has paid or agreed to pay any person, other than bona fide employees and consultants working solely for Contractor or the Affiliate, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or making of this Contract.
- (j) The prices proposed by Contractor were arrived at independently, without consultation, communication, or agreement with any other bidder for the purpose of restricting competition; the prices quoted were not knowingly disclosed by Contractor to any other bidder; and no attempt was made by Contractor to induce any other person to submit or not submit a proposal for the purpose of restricting competition.
- (k) All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the RFP or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial condition, and results of operations of Contractor as of the respective dates, or for the respective periods, covered by the financial statements, reports, other information. Since the respective dates or periods covered by the financial statements, reports, or other information, there have been no material adverse change in the business, properties, financial condition, or results of operations of Contractor.
- (l) All written information furnished to the State by or for the Contractor in connection with this Contract, including its bid, is true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make the information not misleading.
- (m) It is not in material default or breach of any other contract or agreement that it may have with the State or any of its departments, commissions, boards, or agencies. Contractor further represents and warrants that it has not been a party to any contract with the State or any of its departments that was terminated by the State or the department within the previous five years for the reason that Contractor failed to perform or otherwise breached an obligation of the contract.
- (n) If any of the certifications, representations, or disclosures made in the Contractor's original bid response change after contract award, the Contractor is required to report those changes immediately to the Department of Management and Budget, Purchasing Operations.

2.122 Warranty of Merchantability

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

2.123 Warranty of Fitness for a Particular Purpose

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

2.124 Warranty of Title-Deleted, Not Applicable

2.125 Equipment Warranty-Deleted, Not Applicable

2.126 Equipment to be New-Deleted, Not Applicable

2.127 Prohibited Products

The State will not accept salvage, distressed, outdated or discontinued merchandise. Shipping of such merchandise to any State agency, as a result of an order placed against the Contract, shall be considered



default by the Contractor of the terms and conditions of the Contract and may result in cancellation of the Contract by the State. The brand and product number offered for all items shall remain consistent for the term of the Contract, unless Purchasing Operations has approved a change order pursuant to **Section 2.024**.

2.128 Consequences For Breach

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

2.130 Insurance

2.131 Liability Insurance

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

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

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

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

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

See www.michigan.gov/dleg.

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

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

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

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



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

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

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

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

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

4. Employers liability insurance with the following minimum limits:

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

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

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

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

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

2.132 Subcontractor Insurance Coverage

Except where the State has approved in writing a Contractor subcontract with other insurance provisions, Contractor must require all of its Subcontractors under this Contract to purchase and maintain the insurance coverage as described in this Section for the Contractor in connection with the performance of



work by those Subcontractors. Alternatively, Contractor may include any Subcontractors under Contractor's insurance on the coverage required in this Section. Subcontractor(s) must fully comply with the insurance coverage required in this Section. Failure of Subcontractor(s) to comply with insurance requirements does not limit Contractor's liability or responsibility.

2.133 Certificates of Insurance and Other Requirements

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

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

2.140 Indemnification

2.141 General Indemnification

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

2.142 Code Indemnification

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

2.143 Employee Indemnification

In any claims against the State of Michigan, its departments, divisions, agencies, sections, commissions, officers, employees and agents, by any employee of the Contractor or any of its subcontractors, the indemnification obligation under the Contract must not be limited in any way by the amount or type of



damages, compensation or benefits payable by or for the Contractor or any of its subcontractors under worker's disability compensation acts, disability benefit acts or other employee benefit acts. This indemnification clause is intended to be comprehensive. Any overlap in provisions, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other provisions.

2.144 Patent/Copyright Infringement Indemnification

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

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

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

2.145 Continuation of Indemnification Obligations

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

2.146 Indemnification Procedures

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

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



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

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

2.150 Termination/Cancellation

2.151 Notice and Right to Cure

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

2.152 Termination for Cause

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

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

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



termination date. Services and related provisions of this Contract that are terminated for cause must cease on the effective date of the termination.

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

2.153 Termination for Convenience

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

2.154 Termination for Non-Appropriation

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

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

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

2.155 Termination for Criminal Conviction

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

**2.156 Termination for Approvals Rescinded**

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

2.157 Rights and Obligations upon Termination

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

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

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

2.158 Reservation of Rights

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

2.160 Termination by Contractor**2.161 Termination by Contractor**

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

The Contractor may terminate this Contract if the State (i) materially breaches its obligation to pay the Contractor undisputed amounts due and owing under this Contract, (ii) breaches its other obligations



under this Contract to an extent that makes it impossible or commercially impractical for the Contractor to perform the Services, or (iii) does not cure the breach within the time period specified in a written notice of breach. But the Contractor must discharge its obligations under **Section 2.160** before it terminates the Contract.

2.170 Transition Responsibilities

2.171 Contractor Transition Responsibilities

If the State terminates this contract, for convenience or cause, or if the Contract is otherwise dissolved, voided, rescinded, nullified, expires or rendered unenforceable, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. If this Contract expires or terminates, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed 60 days. These efforts must include, but are not limited to, those listed in **Sections 2.141, 2.142, 2.143, 2.144, and 2.145.**

2.172 Contractor Personnel Transition

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

2.173 Contractor Information Transition

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

2.174 Contractor Software Transition

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

2.175 Transition Payments

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



2.176 State Transition Responsibilities

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

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

2.180 Stop Work

2.181 Stop Work Orders

The State may, at any time, by written stop work order to Contractor, require that Contractor stop all, or any part, of the work called for by the Contract for a period of up to 90 calendar days after the stop work order is delivered to Contractor, and for any further period to which the parties may agree. The stop work order must be identified as a stop work order and must indicate that it is issued under this **Section 2.150**. Upon receipt of the stop work order, Contractor must immediately comply with its terms and take all reasonable steps to minimize incurring costs allocable to the work covered by the stop work order during the period of work stoppage. Within the period of the stop work order, the State must either: (a) cancel the stop work order; or (b) terminate the work covered by the stop work order as provided in **Section 2.130**.

2.182 Cancellation or Expiration of Stop Work Order

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

2.183 Allowance of Contractor Costs

If the stop work order is not canceled and the work covered by the stop work order is terminated for reasons other than material breach, the termination must be deemed to be a termination for convenience under **Section 2.130**, and the State will pay reasonable costs resulting from the stop work order in arriving at the termination settlement. For the avoidance of doubt, the State is not be liable to Contractor for loss of profits because of a stop work order issued under this **Section 2.150**.

2.190 Dispute Resolution

2.191 In General

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



2.192 Informal Dispute Resolution

- (a) All disputes between the parties must be resolved under the Contract Management procedures in this Contract. If the parties are unable to resolve any disputes after compliance with the processes, the parties must meet with the Director of Purchasing Operations, DMB, or designee, for the purpose of attempting to resolve the dispute without the need for formal legal proceedings, as follows:
- (i) The representatives of Contractor and the State must meet as often as the parties reasonably deem necessary to gather and furnish to each other all information with respect to the matter in issue which the parties believe to be appropriate and germane in connection with its resolution. The representatives must discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.
 - (ii) During the course of negotiations, all reasonable requests made by one party to another for non-privileged information reasonably related to the Contract will be honored in order that each of the parties may be fully advised of the other's position.
 - (iii) The specific format for the discussions will be left to the discretion of the designated State and Contractor representatives, but may include the preparation of agreed upon statements of fact or written statements of position.
 - (iv) Following the completion of this process within 60 calendar days, the Director of Purchasing Operations, DMB, or designee, must issue a written opinion regarding the issue(s) in dispute within 30 calendar days. The opinion regarding the dispute must be considered the State's final action and the exhaustion of administrative remedies.
- (b) This Section will not be construed to prevent either party from instituting, and a party is authorized to institute, formal proceedings earlier to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or under **Section 2.163**.
- (c) The State will not mediate disputes between the Contractor and any other entity, except state agencies, concerning responsibility for performance of work under the Contract.

2.193 Injunctive Relief

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.162** is where a party makes a good faith determination that a breach of the terms of the Contract by the other party is the that the damages to the party resulting from the breach will be so immediate, so large or severe and so incapable of adequate redress after the fact that a temporary restraining order or other immediate injunctive relief is the only adequate remedy.

2.194 Continued Performance

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

2.200 Federal and State Contract Requirements

2.201 Nondiscrimination

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

**2.202 Unfair Labor Practices**

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

2.203 Workplace Safety and Discriminatory Harassment

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

2.210 Governing Law**2.211 Governing Law**

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

2.212 Compliance with Laws

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

2.213 Jurisdiction

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

2.220 Limitation of Liability**2.221 Limitation of Liability**

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

The Contractor's liability for damages to the State is limited to two times the value of the Contract or \$500,000 which ever is higher. The foregoing limitation of liability does not apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of this Contract calling for liquidated damages; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

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



2.230 Disclosure Responsibilities

2.231 Disclosure of Litigation

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

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

- (i) the ability of Contractor (or a Subcontractor) to continue to perform this Contract according to its terms and conditions, or
- (ii) whether Contractor (or a Subcontractor) in performing Services for the State is engaged in conduct which is similar in nature to conduct alleged in the Proceeding, which conduct would constitute a breach of this Contract or a violation of Michigan law, regulations or public policy, then the Contractor must provide the State all reasonable assurances requested by the State to demonstrate that:

- (a) Contractor and its Subcontractors will be able to continue to perform this Contract and any Statements of Work according to its terms and conditions, and
- (b) Contractor and its Subcontractors have not and will not engage in conduct in performing the Services which is similar in nature to the conduct alleged in the Proceeding.

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

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

2.232 Call Center Disclosure

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



2.233 Bankruptcy

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

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

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

2.240 Performance

2.241 Time of Performance

- (a) Contractor must use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables according to the time schedules contained in the Statements of Work and other Exhibits governing the work, and with professional quality.
- (b) Without limiting the generality of **Section 2.211(a)**, Contractor must notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Deliverables/Services on the scheduled due dates in the latest State-approved delivery schedule and must inform the State of the projected actual delivery date.
- (c) If the Contractor believes that a delay in performance by the State has caused or will cause the Contractor to be unable to perform its obligations according to specified Contract time periods, the Contractor must notify the State in a timely manner and must use commercially reasonable efforts to perform its obligations according to the Contract time periods notwithstanding the State's failure. Contractor will not be in default for a delay in performance to the extent the delay is caused by the State.

2.242 Service Level Agreements (SLAs)-Deleted, Not Applicable

2.243 Liquidated Damages-Deleted, Not Applicable

2.244 Excusable Failure

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

If a party does not perform its contractual obligations for any of the reasons listed above, the non-performing party will be excused from any further performance of its affected obligation(s) for as long as the circumstances prevail. But the party must use commercially reasonable efforts to recommence



performance whenever and to whatever extent possible without delay. A party must promptly notify the other party in writing immediately after the excusable failure occurs, and also when it abates or ends.

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

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

2.250 Approval of Deliverables

2.251 Delivery Responsibilities

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

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

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

2.252 Delivery of Deliverables

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

**2.253 Testing**

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

2.254 Approval of Deliverables, In General

- (a) All Deliverables (Physical Deliverables and Written Deliverables) and Services require formal written approval by the State, according to the following procedures. Formal approval by the State requires the State to confirm in writing that the Deliverable meets its specifications. Formal approval may include the successful completion of Testing as applicable in **Section 2.253**, to be led by the State with the support and assistance of Contractor. The approval process will be facilitated by ongoing consultation between the parties, inspection of interim and intermediate Deliverables and collaboration on key decisions.
- (b) The State's obligation to comply with any State Review Period is conditioned on the timely delivery of Deliverables/Services being reviewed.
- (c) Before commencement of its review or testing of a Deliverable/Service, the State may inspect the Deliverable/Service to confirm that all components of the Deliverable/Service have been delivered without material deficiencies. If the State determines that the Deliverable/Service has material deficiencies, the State may refuse delivery of the Deliverable/Service without performing any further inspection or testing of the Deliverable/Service. Otherwise, the review period will be deemed to have started on the day the State receives the Deliverable or the Service begins, and the State and Contractor agree that the Deliverable/Service is ready for use and, where applicable, certification by Contractor according to **Section 2.223**.
- (d) The State will approve in writing a Deliverable/Service after confirming that it conforms to and performs according to its specifications without material deficiency. The State may, but is not be required to, conditionally approve in writing a Deliverable/Service that contains material deficiencies if the State elects to permit Contractor to rectify them post-approval. In any case, Contractor will be responsible for working diligently to correct within a reasonable time at Contractor's expense all deficiencies in the Deliverable/Service that remain outstanding at the time of State approval.
- (e) If, after three opportunities (the original and two repeat efforts), the Contractor is unable to correct all deficiencies preventing Final Acceptance of a Deliverable/Service, the State may: (i) demand that the Contractor cure the failure and give the Contractor additional time to cure the failure at the sole expense of the Contractor; or (ii) keep the Contract in force and do, either itself or through other parties, whatever the Contractor has failed to do, and recover the difference between the cost to cure the deficiency and the contract price plus an additional sum equal to 10% of the cost to cure the deficiency to cover the State's general expenses provided the State can furnish proof of the general expenses; or (iii) terminate the particular Statement of Work for default, either in whole or in part by notice to Contractor provided Contractor is unable to cure the breach. Notwithstanding the foregoing, the State cannot use, as



a basis for exercising its termination rights under this Section, deficiencies discovered in a repeat State Review Period that could reasonably have been discovered during a prior State Review Period.

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

2.255 Process For Approval of Written Deliverables

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

2.256 Process for Approval of Services

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

2.257 Process for Approval of Physical Deliverables

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

**2.258 Final Acceptance**

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

2.260 Ownership-Deleted, Not Applicable**2.270 State Standards-Deleted, Not Applicable****2.280 Extended Purchasing-Deleted, Not Applicable****2.282 State Employee Purchases-Deleted, Not Applicable****2.290 Environmental Provision****2.291 Environmental Provision**

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

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

Hazardous Materials:

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

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



Contractor must immediately stop all affected Work, notify the State in writing about the conditions encountered, and take appropriate health and safety precautions.

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

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

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

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

Refrigeration and Air Conditioning:

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

Environmental Performance:

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



Systems Advantage

In Conjunction with HPS Contract #51 October 1, 2008- September 30, 2011

GFS CLEAN POWER SYSTEMS: *At least 3 of 5 for GFS CleanPower (Sanitation Systems)*

GFS

- Dishmachine Products _____
- General Kitchen Cleaning Products _____
- Waxes and Floor Care Products _____
- Laundry Cleaning Products _____
- Housekeeping & Janitorial Supplies _____

GFS BEVERAGE SYSTEMS: *All GFS Beverage Systems*

- All Coffee, Teas, Cocoa _____
- All Dispensed Juices _____
- Trayline Beverages (Ready to Drink) _____
- Cafeteria Line (If Available) _____
- Catering (If Available) _____

GFS DISPOSABLE PRODUCTS: *At least 4 of 5 + liners for Disposable Products (Plastic, Foam, Paper)*

- Foam Plates, Cups, Containers, Bowls _____
- Paper Cups, Plates, Bowls, Food Trays _____
- Adult Incontinence Products _____
- Toilet Tissue & Facial Tissue _____
- Napkins, Paper Towels, Roll Towels, C-Fold Towels _____
- Can Liners - MANDATORY _____

GFS PRODUCE AND DAIRY:

- Produce _____

GFS TABLETOP: *Utilize all for maximum advantage*

- Tabletop Contract - china, flatware, trays, temperature maint. systems _____
- Insulated Ware Contract - mugs, bowls, dome covers, traymats _____
- Rubbermaid Contract - total Rubbermaid line _____

Account Name: _____ Account #: _____ / / / / / / / / /

Customer Commitment: _____ Name (Title)

Sales Rep.: _____ Branch Management: _____
Date: _____ Please return to Matt Schichtel at 10021-6397



**GFS / HPS CONTRACT #51
VOLUME / COMMITMENT INCENTIVE**

Gordon Food Service is pleased to offer this purchasing incentive to all HPS members for the contract period October 1, 2008 – September 30, 2011.

The HPS member signing this agreement agrees to commit 90% of its purchasing to Gordon Food Service (90% of dollars spent on items for which GFS offers a choice).

In exchange for this purchasing commitment, Gordon Food Service will issue semi-annual credit memos to members in accordance with the following schedule, based on average weekly purchases during each 6-month measurement period. As an option, rebate checks will be available to those customers purchasing over \$5,000 per week.

| PURCHASING LEVEL | THIS % OF PURCHASES REBATED |
|----------------------|-----------------------------|
| \$25,000/wk. Avg | 4.0% |
| \$22,500/wk. Avg | 3.75% |
| \$20,000/wk. avg. | 3.5% |
| \$17,500/wk. avg. | 3.25% |
| \$15,000/wk. avg. | 3.0% |
| \$12,500/wk. avg. | 2.75% |
| \$10,000/wk. avg. | 2.5% |
| \$7,500/wk avg. | 2.0% |
| \$5,000/wk. avg. | 1.5% |
| \$4,000/wk. avg. | 1.0% |
| \$3,000/wk. avg. | 0.75% |
| Below 3,000/wk. avg. | 0.50% |

Timely periodic reports will keep member advised of rebate level being earned. Rebate checks/credit memos will be issued within 30 days after each 6-month anniversary of GFS/HPS Contract 51. **All purchases from GFS (except Boxed Beef), under any other GFS contract, count as purchase volume for purposes of this calculation.**

This agreement is entered into this _____ day of _____, 20____, between Gordon Food Service, Inc. (GFS) and _____, Acct. No. _____ / / / / / / / / / / _____.
(Account Name)

Account must be “current” (within payment terms) before volume/commitment will be paid. Any incurred finance charges will be withheld from said rebate.

| | | |
|--------------------------|---------------------------------|--|
| FOR FOODSERVICE | FOR MATERIALS MANAGEMENT | GORDON FOOD SERVICE, INC. |
| BY _____ | BY _____ | BY _____ |
| TITLE _____ | TITLE _____ | |
| DATED _____ | DATED _____ | DATED _____ |
| REBATE REFERENCE: | CREDIT MEMO _____ | |
| | CHECK _____ | Purchases over \$5,000 weekly only. |