

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

CHANGE NOTICE NO. 9
 to
CONTRACT NO. 071B9200229
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
Rapid Shred, LLC P.O. Box 248 Grandville, MI 49468	Scott Dennis	sdennis@rapidshred.com
	PHONE	VENDOR TAX ID # (LAST FOUR DIGITS ONLY)
	(616) 735-2900	0824

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER / CCI	DTMB	Brice Sample	(517) 335-9450	sampleb@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Dan Stevens	(517) 284-7049	StevensD6@michigan.gov

CONTRACT SUMMARY			
DESCRIPTION: Confidential Document Destruction – Zones 1-7 – DTMB - Statewide			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
July 1, 2009	June 30, 2014	(2) 1-Year Options	December 31, 2016
PAYMENT TERMS	F.O.B.	SHIPPED TO	
1.5NET10 and NET30	N/A	N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS			
N/A			

DESCRIPTION OF CHANGE NOTICE				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF EXTENSION/OPTION	EXPIRATION DATE AFTER CHANGE
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input type="checkbox"/>	<input checked="" type="checkbox"/>	6 months	June 30, 2017
CURRENT VALUE		VALUE/COST OF CHANGE NOTICE	ESTIMATED REVISED AGGREGATE CONTRACT VALUE	
\$1,008,750.00		\$80,000.00	\$1,088,750.00	

DESCRIPTION:
 Effective November 16, 2016, this Contract is hereby extended 6 months and is increased by \$80,000.00. The revised Contract expiration date is June 30, 2017. All other terms, conditions, specifications, and pricing remain the same, per Contractor and Agency agreement, DTMB Procurement approval and State Administrative Board approval on November 15, 2016.



STATE OF MICHIGAN ENTERPRISE PROCUREMENT

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

CONTRACT CHANGE NOTICE

Change Notice Number 8
to
Contract Number 071B9200229

CONTRACTOR	RAPID SHRED, LLC
	P.O. Box 248
	Grandville, MI 49468
	Scott Dennis
	(616) 735-2900
	sdennis@rapidshred.com
	*****0824

STATE	Program Manager	Sample, Brice	DTMB
		517-335-9450	
		sampleb@Michigan.gov	
STATE	Contract Administrator	Dan Stevens	DTMB
		(517) 284-7027	
		StevensD6@michigan.gov	

CONTRACT SUMMARY				
DESCRIPTION: Confidential Document Destruction				
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW	
July 1, 2009	June 30, 2014	2 - 1 Year	June 30, 2016	
PAYMENT TERMS		DELIVERY TIMEFRAME		
1.5% 10 Net 30				
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING	
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
MINIMUM DELIVERY REQUIREMENTS				
N/A				
DESCRIPTION OF CHANGE NOTICE				
OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input checked="" type="checkbox"/>		December 31, 2016
CURRENT VALUE		VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE	
\$ 963,750.00		\$ 45,000.00	\$1,008,750.00	

DESCRIPTION: Effective June 30, 2016, this Contract is hereby extended 6 months and is increased by \$45,000.00. The revised Contract expiration date is December 31, 2016. All other terms, conditions, specifications, and pricing remain the same, per Contractor and Agency agreement, DTMB Procurement approval, and State Administrative Board approval on June 21, 2016. Please note the Contract Administrator has changed to Dan Stevens allowed per (section 2.024 Change Requests)

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

CHANGE NOTICE NO. 7
 to
CONTRACT NO. 071B9200229
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
Rapid Shred, LLC P.O. Box 248 Grandville, MI 49468	Scott Dennis	sdennis@rapidshred.com
	PHONE	VENDOR TAX ID # (LAST FOUR DIGITS ONLY)
	(616) 735-2900	0824

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER / CCI	DTMB	Brice Sample	(517) 335-9450	sampleb@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Mary Ostrowski	(517) 241-7021	ostrowskim@michigan.gov

CONTRACT SUMMARY			
DESCRIPTION: Confidential Document Destruction – Zones 1-7 – DTMB - Statewide			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
July 1, 2009	June 30, 2014	(2) 1-Year Options	June 30, 2015
PAYMENT TERMS	F.O.B.	SHIPPED TO	
N/A	N/A	N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS			
N/A			

DESCRIPTION OF CHANGE NOTICE				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF EXTENSION/OPTION	EXPIRATION DATE AFTER CHANGE
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1 Year	June 30, 2016
CURRENT VALUE		VALUE/COST OF CHANGE NOTICE	ESTIMATED REVISED AGGREGATE CONTRACT VALUE	
\$713,750.00		\$250,000.00	\$963,750.00	

DESCRIPTION:
 Effective July 1, 2015, this Contract is hereby exercising the second and final option year and is increased by \$250,000.00. The revised Contract expiration date is June 30, 2016. All other terms, conditions, specifications, and pricing remain the same, per Contractor and Agency agreement, DTMB Procurement approval, and State Administrative Board approval on June 16, 2015.

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

CHANGE NOTICE NO. 6
 to
CONTRACT NO. 071B9200229
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Rapid Shred, LLC P.O. Box 248 Grandville, MI 49468	Scott Dennis	sdennis@rapidshred.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(616) 735-2900	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	DTMB	Brice Sample	517-335-9450	sampleb@michigan.gov
BUYER	DTMB	Brandon Samuel	517-241-3768	samuelb@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: CONFIDENTIAL DOCUMENT DESTRUCTION – ZONES 1-7 – DTMB - STATEWIDE			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
July 1, 2009	June 30, 2014	2, one year	June 30, 2014
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1 year	June 30, 2015
VALUE/COST OF CHANGE NOTICE:		ESTIMATED REVISED AGGREGATE CONTRACT VALUE:		
\$0.00		\$713,750.00		
Effective immediately, this contract utilizes a contract option year. The new contract end date is June 30, 2015. The CCI for this contract is also changed to Brice Sample (see above). All other terms, conditions, pricing and specifications remain the same. Per vendor and agency agreement and DTMB Procurement approval.				

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

September 18, 2012

CHANGE NOTICE NO. 5
 to
CONTRACT NO. 071B9200229
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Rapid Shred, LLC P.O. Box 248 Grandville, MI 49468	Scott Dennis	sdennis@rapidshred.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(616) 735-2900	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	DTMB	Jeff Baldwin	517-335-8965	Baldwinj1@michigan.gov
BUYER	DTMB	Brandon Samuel	517-241-3768	samuelb@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: CONFIDENTIAL DOCUMENT DESTRUCTION – ZONES 1-7 – DTMB - STATEWIDE			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
July 1, 2009	June 30, 2014	2, one year	June 30, 2014
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/>	<input type="checkbox"/>		
VALUE/COST OF CHANGE NOTICE:		ESTIMATED REVISED AGGREGATE CONTRACT VALUE:		
\$264,000.00		\$713,750.00		
Effective September 13, 2012, this contract is hereby INCREASED by \$264,000, per the attached documents. All other terms, conditions, pricing and specifications remain the same. Per vendor and agency agreement, DTMB Procurement approval and the approval of the State Administrative Board on September 13, 2012.				

The following change is hereby incorporated into this Contract:

Article 1.020, Add section (L):

(L) The Contractor shall provide the means to destroy material on-site to allow SOM personnel to witness the destruction of the material. The contractor will document the weight, operator and quantity of all the material being destroyed on-site, at the time of destruction. If the contractor's on-site destruction equipment cannot destroy the material to the 5/16 particle size specified in Section 1.021 it must be securely transported back to the Contractor's facility and destroyed a second time using the appropriate plant based destruction equipment to assure compliance with the particle size requirements of this contract. The Contractor will again document the operator and time that the material was destroyed. The pricing established in Appendix A – Section (c) is based on this two-step process. The Contractor will notify the SOM if equipment is purchased to actually meet the 5/16 particle size requirement on-site so pricing can be adjusted. Until that time this two-step destruction process is required for agencies utilizing the on-site destruction service.

Appendix A – Pricing, Add Section (c):

Section (c) Pricing for on-site shredding as specified in Section 1.020 (L):

<u>Zone</u>	<u>Route Stop Charge</u>	<u>Non-Route Stop Charge</u>	<u>Unit Price per Pound</u>
1	\$ 40.00	\$60.00	\$ 0.15
2	\$ 40.00	\$60.00	\$ 0.15
3	\$ 50.00	\$75.00	\$ 0.15
4	\$ 50.00	\$75.00	\$ 0.15
5	\$ 50.00	\$100.00	\$ 0.15
6	\$ 50.00	\$100.00	\$ 0.15
7	\$ 50.00	\$150.00	\$ 0.15

Notes:

1. The stop charge will vary based on zone. If the service location is able to be serviced on an established route of the contractor, the contractor will charge the stop charge and the unit price per pound charge. If the agency cannot be scheduled on an established route the contractor will charge the non-route stop fee and the unit price per pound. The contractor will inform the agency of these choices and work with the agency on scheduling. The service time constraints will be suspended for on-site destruction to allow the contractor to build a route to eliminate the premium charge.

Appendix A, Section (b):

Footnote to table will be modified to read:

*:For pricing purposes, an average of \$26.00 was used to calculate the estimated costs in Zones 2 and 3. All actual costs (Items 1 through 4) in Zones 2 and 3 will be the same unit costs as apply to Zone 1 (see below price structure):

1.073 National Association of Information Destruction (NAID) Certification

The contractor must be certified by NAID and provide a copy of their annual NAID recertification documents within 30 days of recertification on a yearly basis. The contractor will also provide the documentation of any unscheduled or unannounced audit results within 30 days of receipt. The NAID certification does not replace the particle size requirements specified in the contract.

STATE OF MICHIGAN
 DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
 PROCUREMENT
 P.O. BOX 30026, LANSING, MI 48909
 OR
 530 W. ALLEGAN, LANSING, MI 48913

April 20, 2012

CHANGE NOTICE NO. 4
 To
CONTRACT NO. 071B9200229
 Between
THE STATE OF MICHIGAN
 And

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Rapid Shred, LLC	Scott Dennis	sdennis@rapidshred.com
P.O. Box 248	TELEPHONE	CONTRACTOR #, MAIL CODE
Grandville, MI 49468	(616) 735-2900	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DTMB	Jeff Baldwin	(517) 335-8965	baldwinj1@michigan.gov
BUYER:	DTMB	Lance Kingsbury	(517) 241-3768	kingsburyl@michigan.gov

INITIAL CONTRACT SUMMARY:			
DESCRIPTION: CONFIDENTIAL DOCUMENT DESTRUCTION – ZONES 1-7 – DTMB – STATEWIDE			
INITIAL TERM	EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS
5 Years	07/01/2009	06/30/2014	2 – 1 Year Options
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:	
OPTION EXERCISED: <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES	IF YES, NEW EXPIRATION DATE:
<p>The following HIPPA Business Associate Addendum is hereby added. All other terms, conditions, specifications, and pricing remain unchanged.</p> <p>Per agency request and DTMB Procurement approval.</p>	
VALUE/COST OF CHANGE NOTICE:	\$0.00
ESTIMATED AGGREGATE CONTRACT VALUE REMAINS:	\$499,750.00

HIPAA BUSINESS ASSOCIATE ADDENDUM

The parties to this Business Associate Addendum ("Addendum") are the State of Michigan, acting by and through the Department of Technology, Management and Budget, on behalf of the Department of Community Health ("State") and Rapid Shred, LLC, ("Contractor"). This Addendum supplements and is made a part of the existing contract(s) or agreement(s) between the parties including the following Contract(s): Confidential Document Destruction ("Contract").

For purposes of this Addendum, the State is (check one):

Covered Entity ("CE")

Business Associate ("Associate")

and Contractor is (check one):

Covered Entity ("CE")

Business Associate ("Associate")

RECITALS

- A. Under the terms of the Contract, CE wishes to disclose certain information to Associate, some of which may constitute Protected Health Information ("PHI") (defined below). In consideration of the receipt of PHI, Associate agrees to protect the privacy and security of the information as set forth in this Addendum.
- B. CE and Associate intend to protect the privacy and provide for the security of PHI disclosed to Associate under the Contract in compliance with the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 ("HIPAA") and regulations promulgated thereunder by the U.S. Department of Health and Human Services (the "HIPAA Regulations") as amended by the Health Information Technology Economic and Clinical Health Act ("HITECH Act") under the American Recovery and Reinvestment Act of 2009, Public Law 111-5 ("ARRA"), and other applicable laws, as amended.
- C. As part of the HIPAA Regulations, the Privacy Rule and the Security Rule (defined below) require CE to enter into a contract containing specific requirements with Associate before the disclosure of PHI, as set forth in, but not limited to, 45 CFR §§ 160.103, 164.402, 164.410, 164.502(e), 164.504(e), and 164.314 and contained in this Addendum.

In consideration of the mutual promises below and the exchange of information under this Addendum, the parties agree as follows:

1. Definitions.

a. Except as otherwise defined herein, capitalized terms in this Addendum have the definitions set forth in the HIPAA Regulations at 45 CFR Parts 160, 162 and 164, as amended, including, but not limited to, subpart A, subpart C ("Security Rule"), subpart D (Breach Notification), and subpart E ("Privacy Rule").

b. "Agreement" means both the Contract and this Addendum.

c. "Breach" means the unauthorized acquisition, access, use, or disclosure of Protected Health Information that compromises the security or privacy of the Protected Health Information as defined in 45 CFR 164.402.

d. "Contract" means the underlying written agreement or purchase order between the parties for the goods or services to which this Addendum is added.

e. "Impermissible Use or Disclosure" means the acquisition, access, use, or disclosure of Protected Health Information in a manner not permitted under HIPAA that may or may not compromise the security or privacy of the Protected Health Information.

f. "Protected Health Information" or "PHI" has the meaning given to such term under the Privacy Rule and also means, by way of example and without limitation, any information, whether oral or recorded in any form or medium: (i) that relates to the past, present or future physical or mental condition of an individual; the provision of health care to an individual; or the past, present or future payment for the provision of health care to an individual; and (ii) that identifies the individual or with respect to which there is a reasonable basis to believe the information can be used to identify the individual.

g. "Protected Information" means PHI provided by CE to Associate or created or received by Associate on CE's behalf.

h. "Security Incident" means the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system.

2. Obligations of Associate.

a. Permitted Uses. Associate may not use Protected Information except for the purpose of performing Associate's obligations under the Contract and as permitted under this Agreement. Further, Associate cannot use Protected Information in any manner that violates the HIPAA Regulations. Associate may use Protected Information: (i) for the proper management and administration of Associate in carrying out its duties under the Agreement; (ii) to carry out the legal responsibilities of Associate; or (iii) for Data Aggregation purposes for the Health Care Operations of CE. Additional provisions, if any, governing permitted uses of Protected Information are set forth in Appendix 1 to this Addendum.

b. Permitted Disclosures. Associate may not disclose Protected Information in any manner that would constitute a violation of the HIPAA Regulations if disclosed by CE, except that Associate may

disclose Protected Information: (i) in a manner permitted under the Agreement; (ii) for the proper management and administration of Associate in carrying out its duties under the Agreement; (iii) as required by law; (iv) for Data Aggregation purposes for the Health Care Operations of CE; or (v) to report violations of law to appropriate federal or state authorities, consistent with 45 CFR § 164.502(j)(1). To the extent that Associate discloses Protected Information to a third party, Associate must obtain, before making any such disclosure: (i) reasonable assurances from such third party that such Protected Information will be held confidential as provided under this Addendum and only disclosed as required by law or for the purposes for which it was disclosed to such third party; and (ii) an agreement to implement reasonable and appropriate safeguards to protect the Protected Information; and (iii) an agreement from such third party to immediately notify Associate of any Impermissible Use, Disclosure, or Breach of the Protected Information, or any Security Incident, to the extent it has obtained knowledge of such an occurrence. Additional provisions, if any, governing permitted disclosures of Protected Information are set forth in Appendix 1.

c. Appropriate Safeguards. Associate must implement appropriate Security Measures as are necessary to protect against the use or disclosure of all forms of Protected Information other than as permitted by the Contract or this Addendum. Associate must maintain a comprehensive written information privacy and security program that includes Security Measures that reasonably and appropriately protect the Confidentiality, Integrity, and Availability of Protected Information relative to the size and complexity of the Associate's operations and the nature and scope of its activities. Security Measures include, without limitation, the valid encryption and password protection of Protected Information and of all portable electronic devices that store Protected Information regardless of the nature and scope of its activities.

d. Reporting of a Breach, Security Incident or Impermissible Use or Disclosure. During the term of the Contract or this Addendum, Associate must notify CE in writing within twenty-four (24) hours of any suspected or actual Breach, Security Incident, or Impermissible Use or Disclosure. Associate must also take (i) prompt corrective action to cure any such event and (ii) any action required by applicable federal and state laws and regulations. Associate will cooperate with CE to mitigate the effects on any Breach, Security Incident, or Impermissible Use or Disclosure. Associate will document the incident and its outcome and will retain such documentation no less than five (5) years.

e. Notification. If a Breach, Security Incident, Impermissible Use or Disclosure occurs, and the PHI is under the control of the Associate or its subcontractor or its agent, the Associate must notify the affected individuals and is responsible for paying the costs associated with the Breach, Security Incident, Impermissible Use or Disclosure and subsequent notification to affected individuals. The Associate will cooperate with the CE in sending out any notification relating to a Breach, Security Incident, or Impermissible Use or Disclosure.

f. Associate's Agents. If Associate uses one or more subcontractors or agents to provide services under this Agreement, and such subcontractors or agents receive or have access to Protected Information, each subcontractor or agent must sign an agreement with Associate containing substantially the same provisions as this Addendum and further identifying CE as a third party beneficiary of the agreement with such subcontractors or agents in the event of any violation of such subcontractor or agent agreement. Associate must (i) implement and maintain sanctions against agents and subcontractors that violate such restrictions and conditions; (ii) mitigate the effects of any such violation; and (iii) be responsible for any activities and costs associated with carrying out any Breach Notification for which an agent or subcontractor is responsible.

g. Access to Protected Information. Associate must make available Protected Information maintained by Associate or its agents or subcontractors in Designated Record Sets to CE for inspection and copying within ten days of a request by CE to enable CE to fulfill its obligations to permit individual access to PHI under the Privacy Rule, including, but not limited to, 45 CFR § 164.524.

h. Amendment of PHI. Within ten days of receipt of a request from CE for an amendment of Protected Information or a record about an individual contained in a Designated Record Set, Associate or its agents or subcontractors must make such Protected Information available to CE for amendment and incorporate any such amendment to enable CE to fulfill its obligations with respect to requests by individuals to amend their PHI under the Privacy Rule, including, but not limited to, 45 CFR § 164.526. If any individual requests an amendment of Protected Information directly from Associate or its agents or subcontractors, Associate must notify CE in writing within ten days of receipt of the request, and then, in that case, only the CE may either grant or deny the request.

i. Accounting Rights. Within ten days of notice by CE of a request for an accounting of disclosures of Protected Information, Associate and its agents or subcontractors must make available to CE the information required to enable CE to fulfill its obligations under the Privacy Rule, including, but not limited to, 45 CFR § 164.528. As set forth in, and as limited by, 45 CFR § 164.528, Associate is not required to provide an accounting to CE of disclosures made: (i) to carry out treatment, payment or health care operations, as set forth in 45 CFR § 164.506; (ii) to individuals of Protected Information about them as set forth in 45 CFR § 164.502; (iii) under an authorization as provided in 45 CFR § 164.508; (iv) to persons involved in the individual's care or other notification purposes as set forth in 45 CFR § 164.510; (v) for national security or intelligence purposes as set forth in 45 CFR § 164.512(k)(2); or (vi) to correctional institutions or law enforcement officials as set forth in 45 CFR § 164.512(k)(5). Associate agrees to implement a process that allows for an accounting to be collected and maintained by Associate and its agents or subcontractors for at least six years before the request, but not before the compliance date of the Privacy Rule. At a minimum, such information must include: (i) the date of disclosure; (ii) the name of the entity or person who received Protected Information and, if known, the address of the entity or person; (iii) a brief description of Protected Information disclosed; and (iv) a brief statement of purpose of the disclosure that reasonably informs the individual of the basis for the disclosure, or a copy of the individual's authorization, or a copy of the written request for disclosure. If the request for an accounting is delivered directly to Associate or its agents or subcontractors, Associate must forward it within ten days of the receipt of the request to CE in writing. CE must prepare and deliver any such accounting requested. Associate may forward it not disclose any Protected Information except as set forth in Section 2(b) of this Addendum.

j. Governmental Access to Records. Associate must make available its internal practices, books and records relating to the use and disclosure of Protected Information to the Secretary of the U.S. Department of Health and Human Services (the "Secretary"), in a time and manner designated by the Secretary, for purposes of determining CE's compliance with the HIPAA Regulations. Associate must provide to CE a copy of any Protected Information that Associate provides to the Secretary concurrently with providing such Protected Information to the Secretary.

k. Minimum Necessary. Associate (and its agents or subcontractors) must comply with the Minimum Necessary requirements of the Privacy Rule, including, but not limited to 45 CFR §§ 164.502(b) and 164.514(d), by requesting, using, and disclosing only the minimum amount of Protected Information necessary to accomplish the purpose of the request, use or disclosure.

l. Data Ownership. Unless otherwise specified in the Contract, Associate acknowledges that Associate has no ownership rights with respect to the Protected Information. The CE retains all ownership rights of the Protected Information.

m. Retention of Protected Information. Notwithstanding Section 5(d) of this Addendum, Associate and its subcontractors or agents must retain all Protected Information throughout the term of the Contract and must continue to maintain the information required under Section 2(h) of this Addendum for a period of six years from the date of creation or the date when it last was in effect, whichever is later, or as required by law. This obligation survives the termination of the Contract.

n. Destruction of Protected Information. Associate agrees to implement policies and procedures for the final disposition of electronic Protected Information and the hardware and equipment on which it is stored, including but not limited to, removal before re-use, as well as paper or other hard copy media, in accordance with the most recent guidance from the Department of Health and Human Services' Secretary.

o. Audits, Inspection and Enforcement. Within ten days after a written request by CE, Associate and its agents or subcontractors must allow CE to conduct a reasonable inspection of the facilities, systems, books, records, agreements, policies and procedures relating to the use or disclosure of Protected Information under this Addendum for the purpose of determining whether Associate has complied with this Addendum; provided, however, that: (i) Associate and CE must mutually agree in advance upon the scope, timing and location of such an inspection; (ii) CE must protect the confidentiality of all confidential and proprietary information of Associate to which CE has access during the course of such inspection; and (iii) CE or Associate must execute a nondisclosure agreement, if requested by Associate or CE. The fact that CE inspects, or fails to inspect, or has the right to inspect, Associate's facilities, systems, books, records, agreements, policies and procedures does not relieve Associate of its responsibility to comply with this Addendum. CE's (i) failure to detect or (ii) detection, but failure to notify Associate or require Associate's remediation of any unsatisfactory practices, does not constitute acceptance of such practice or a waiver of CE's enforcement rights under this Agreement.

p. Safeguards During Transmission. Associate is responsible for using Security Measures to reasonably and appropriately maintain and ensure the Confidentiality, Integrity, and Availability of Protected Information transmitted to or on behalf of CE under this Agreement, in accordance with the standards and requirements of the HIPAA Regulations, until such Protected Information is received by CE or the intended recipient, and in accordance with any specifications set forth in Appendix 1.

3. Obligations of CE

a. Safeguards During Transmission. CE is responsible for using Security Measures to reasonably and appropriately maintain and ensure the Confidentiality, Integrity, and Availability of Protected Information transmitted to Associate under this Agreement, in accordance with the standards and requirements of the HIPAA Regulations, until such Protected Information is received by Associate, and in accordance with any specifications set forth in Appendix 1.

b. Notice of Changes. CE must provide Associate with a copy of its notice of privacy practices produced in accordance with 45 CFR § 164.520, as well as any subsequent changes or limitation(s) to such notice, to the extent such changes or limitations may effect Associate's use or disclosure of Protected Information. CE must provide Associate with any changes in, or revocation of, permission to use or disclose Protected Information, to the extent it may affect Associate's permitted or required uses or disclosures. To the extent that it may affect Associate's permitted use or disclosure of Protected Information, CE must notify Associate of any restriction on the use or disclosure of Protected Information that CE has agreed to in accordance with 45 CFR § 164.522.

4. Term. This Addendum must continue in effect as to each Contract to which it applies until such Contract is terminated or is replaced with a new contract between the parties containing provisions meeting the requirements of the HIPAA Regulations, whichever first occurs. However, certain obligations will continue as specified in this Addendum.

5. Termination.

a. Material Breach. In addition to any other provisions in the Contract regarding breach, a breach by Associate of any provision of this Addendum, as determined by CE, constitutes a material breach of the Agreement and is grounds for termination of the Contract by CE under the provisions of the Contract covering termination for cause. If the Contract contains no express provisions regarding termination for cause, the following apply to termination for breach of this Addendum, subject to 5.b.:

(1) Default. If Associate refuses or fails to timely perform any of the provisions of this Addendum, CE may notify Associate in writing of the non-performance, and if not corrected within thirty days, CE may immediately terminate the Agreement. Associate must continue performance of the Agreement to the extent it is not terminated.

(2) Associate's Duties. Notwithstanding termination of the Agreement, and subject to any directions from CE, Associate must timely, reasonably and necessarily act to protect and preserve property in the possession of Associate in which CE has an interest.

(3) Compensation. Payment for completed performance delivered and accepted by CE must be at the Contract price.

(4) Erroneous Termination for Default. If, after the CE terminates the Contract because of the Associate's default, it is determined, for any reason, that Associate was not in default, or that Associate's action/inaction was excusable, such termination will be treated as a termination for convenience, and the rights and obligations of the parties will be the same as if the contract had been terminated for convenience, as described in this Addendum or in the Contract.

b. Reasonable Steps to Cure Breach. If CE knows of a pattern of activity or practice of Associate that constitutes a material breach or violation of the Associate's obligations under the provisions of this Addendum or another arrangement and does not terminate this Agreement under Section 5(a), then CE must take reasonable steps to cure such breach or end such violation, as applicable. If CE's efforts to cure such breach or end such violation are unsuccessful, CE must either (i) terminate this Agreement, if feasible or (ii) if termination of this Agreement is not feasible, CE must report Associate's breach or violation to the Secretary of the Department of Health and Human Services.

c. Effect of Termination.

(1) Except as provided in paragraph (2) of this subsection, upon termination of this Agreement, for any reason, Associate must return or destroy all Protected Information that Associate or its agents or subcontractors still maintain in any form, and must retain copies of such Protected Information. If Associate elects to destroy the Protected Information, Associate must certify in writing to CE that such Protected Information has been destroyed.

(2) If Associate believes that returning or destroying the Protected Information is not feasible, including but not limited to, a finding that record retention requirements provided by law make return or destruction infeasible, Associate must promptly provide CE written notice of the conditions making return or destruction infeasible. Upon mutual agreement of CE and Associate that return or destruction of Protected Information is infeasible, Associate must continue to extend the protections of Sections 2(a), 2(b), 2(c), 2(d), 2(e) and 2(f) of this Addendum to such information, and must limit further use of such Protected Information to those purposes that make the return or destruction of such Protected Information infeasible.

6. No Waiver of Immunity. No term or condition of this Agreement must be construed or interpreted as a waiver, express or implied, of any of the immunities, rights, benefits, protection, or other provisions of the Michigan Governmental Immunity Act, MCL 691.1401, *et seq.*, the Federal Tort Claims Act, 28 U.S.C. 2671 *et seq.*, or the common law, as applicable, as now in effect or hereafter amended.

7. Disclaimer. CE makes no warranty or representation that compliance by Associate with this Addendum, HIPAA or the HIPAA Regulations will be adequate or satisfactory for Associate's own purposes. Associate is solely responsible for all decisions made by Associate regarding the safeguarding of Protected Information and PHI.

8. Certification. To the extent that CE determines an examination is necessary in order to comply with CE's legal obligations under HIPAA relating to certification of its security practices, CE or its authorized agents or contractors, may, at CE's expense, examine Associate's facilities, systems, procedures and records as may be necessary for such agents or contractors to certify to CE the extent to which Associate's security safeguards comply with HIPAA, the HIPAA Regulations or this Addendum.

9. Amendment.

a. Amendment to Comply with Law. The parties acknowledge that state and federal laws relating to data security and privacy are rapidly evolving and that amendment of this Addendum may be required to provide for procedures to ensure compliance with such developments. The parties specifically agree to take such action as is necessary to implement the standards and requirements of HIPAA, the Privacy Rule, the Security Rule and other applicable laws relating to the security or privacy of Protected Information. The parties understand and agree that CE must receive satisfactory written assurance from Associate that Associate will adequately safeguard all Protected Information. Upon the request of either party, the other party agrees to promptly enter into negotiations concerning the terms of an amendment to this Addendum embodying written assurances consistent with the standards and requirements of HIPAA, the Privacy Rule, the Security Rule or other applicable laws. CE may terminate the Agreement upon thirty days written notice if (i) Associate does not promptly enter into negotiations to amend this Agreement when requested by CE under this Section or (ii) Associate does not enter into an amendment to this Agreement providing assurances regarding the safeguarding of PHI that CE, in its sole discretion, deems sufficient to satisfy the standards and requirements of HIPAA, the HIPAA Regulations and other applicable laws.

b. Amendment of Appendix 1. Appendix 1 may be modified or amended by mutual agreement of the parties in writing from time to time without formal amendment of this Addendum.

10. Assistance in Litigation or Administrative Proceedings. Associate must make itself, and any subcontractors, employees or agents assisting Associate in the performance of its obligations under this Agreement, available to CE, at no cost to CE, to testify as witnesses, or otherwise, if someone commences litigation or administrative proceedings against CE, its directors, officers or employees, departments, agencies, or divisions based upon a claimed violation of HIPAA, the HIPAA Regulations or other laws relating to security and privacy of Protected Information, except where Associate or its subcontractor, employee or agent is a named adverse party.

11. No Third Party Beneficiaries. Nothing express or implied in this Addendum is intended to confer any rights, remedies, obligations or liabilities upon any person other than CE, Associate and their respective successors or assigns.

12. Effect on Contract. Except as specifically required to implement the purposes of this Addendum, or to the extent inconsistent with this Addendum, all other terms of the Contract must remain in force and effect. The parties expressly acknowledge and agree that sufficient mutual consideration exists to make this Addendum legally binding in accordance with its terms. Associate and CE expressly waive any claim or defense that this Addendum is not part of the Contract.

13. Interpretation and Order of Precedence. This Addendum is incorporated into and becomes part of the Contract. Together, this Addendum and each separate Contract constitute the "Agreement" of the parties with respect to their Business Associate relationship under HIPAA and the HIPAA Regulations. The provisions of this Addendum must prevail over any provisions in the Contract that may conflict or appear inconsistent with any provision in this Addendum. This Addendum and the Contract must be interpreted as broadly as necessary to implement and comply with HIPAA and the HIPAA Regulations. The parties agree that any ambiguity in this Addendum must be resolved in favor of a meaning that complies and is consistent with HIPAA and the HIPAA Regulations. This Addendum supercedes and replaces any previous separately executed HIPAA addendum between the parties. If this Addendum conflicts with the mandatory provisions of the HIPAA Regulations, then the HIPAA Regulations control. Where the provisions of this Addendum differ from those mandated by the HIPAA Regulations, but are nonetheless permitted by the HIPAA Regulations, the provisions of this Addendum control.

14. Effective Date. This Addendum is effective upon receipt of the last approval necessary and the affixing of the last signature required.

15. Survival of Certain Contract Terms. Notwithstanding anything in this Addendum to the contrary, Associate's obligations under Section 5(d) and record retention laws ("Effect of Termination") and Section 13 ("No Third Party Beneficiaries") survive termination of this Agreement and are enforceable by CE if the Associate fails to perform or comply with this Addendum.

16. Representatives and Notice.

a. Representatives. For the purpose of this Agreement, the individuals identified in the Contract must be the representatives of the respective parties. If no representatives are identified in the Contract, the individuals listed below are hereby designated as the parties' respective representatives for purposes of this Agreement. Either party may from time to time designate in writing new or substitute representatives.

b. Notices. All required notices must be in writing and must be hand delivered or given by certified or registered mail to the representatives at the addresses set forth below.

Covered Entity Representative:

Name: Kim Stephen
Title: Director, Bureau of Budget and Audit
Department and Division: Michigan Department of Community Health
Address: 320 S. Walnut Street
Lansing, Michigan 48913

Business Associate Representative:

Name: Scott Dennis
Title: President
Department and Division: overnight: U.S. Mail:
Address: 2972 Sangra SW P.O. Box 248
Grandville, MI 49418 Grandville, MI 49468

Any notice given to a party under this Addendum must be deemed effective, if addressed to such party, upon: (i) delivery, if hand delivered; or (ii) the third (3rd) Business Day after being sent by certified or registered mail.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the Addendum Effective Date.

Associate
[INSERT NAME] Rapid Shred, LLC
By: [Signature]
Date: 3/20/12
Print Name: Scott Dennis
Title: President

Covered Entity
[INSERT NAME]
By: [Signature]
Date: 3/27/12
Kim Stephen, Director
Bureau of Budget and Audit

IRS EXHIBIT 7
SAFEGUARDING CONTRACT LANGUAGE
CONTRACT LANGUAGE FOR GENERAL SERVICES

I. PERFORMANCE

In performance of this contract, the Contractor agrees to comply with and assume responsibility for compliance by his or her employees with the following requirements:

- (1) All work will be performed under the supervision of the contractor or the contractor's responsible employees.
- (2) Any Federal tax returns or return information (hereafter referred to as returns or return information) made available shall be used only for the purpose of carrying out the provisions of this contract. Information contained in such material shall be treated as confidential and shall not be divulged or made known in any manner to any person except as may be necessary in the performance of this contract. Inspection by or disclosure to anyone other than an officer or employee of the contractor is prohibited.
- (3) All returns and return information will be accounted for upon receipt and properly stored before, during, and after processing. In addition, all related output and products will be given the same level of protection as required for the source material.
- (4) No work involving returns and return information furnished under this contract will be subcontracted without prior written approval of the IRS.
- (5) The contractor will maintain a list of employees authorized access. Such list will be provided to the agency and, upon request, to the IRS reviewing office.
- (6) The agency will have the right to void the contract if the contractor fails to provide the safeguards described above.

II. CRIMINAL/CIVIL SANCTIONS

(1) Each officer or employee of any person to whom returns or return information is or may be disclosed shall be notified in writing by such person that returns or return information disclosed to such officer or employee can be used only for a purpose and to the extent authorized herein, and that further disclosure of any such returns or return information for a purpose or to an extent unauthorized herein constitutes a felony punishable upon conviction by a fine of as much as \$5,000 or imprisonment for as long as five years, or both, together with the costs of prosecution. Such person shall also notify each such officer and employee that any such unauthorized future disclosure of returns or return information may also result in an award of civil damages against the officer or employee in an amount not less than \$1,000 with respect to each instance of unauthorized disclosure. These penalties are prescribed by IRC Sections 7213 and 7431 and set forth at 26 CFR 301.6103(n)-1.

(2) Each officer or employee of any person to whom returns or return information is or may be disclosed shall be notified in writing by such person that any return or return information made available in any format shall be used only for the purpose of carrying out the provisions of this contract. Information contained in such material shall be treated as confidential and shall not be divulged or made known in any manner to any person except as may be necessary in the performance of this contract. Inspection by or disclosure to anyone without an official need to know constitutes a criminal misdemeanor punishable upon conviction by a fine of as much as \$1,000.00 or imprisonment for as long as 1 year, or both, together with the costs of prosecution. Such person shall also notify each such officer and employee that any such unauthorized inspection or disclosure of returns or return information may also result in an award of civil damages against the officer or employee [United States for Federal employees] in an amount equal to the sum of the greater of \$1,000.00 for each act of unauthorized inspection or disclosure with respect to which such defendant is found liable or the sum of the actual damages sustained by the plaintiff as a result of such unauthorized inspection or disclosure plus in the case of a willful inspection or disclosure which is the result of gross negligence, punitive damages, plus the costs of the action. The penalties are prescribed by IRC Sections 7213A and 7431.

(3) Additionally, it is incumbent upon the contractor to inform its officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a(i)(1), which is made applicable to contractors by 5

U.S.C. 552a(m)(1), provides that any officer or employee of a contractor, who by virtue of his/her employment or official position, has possession of or access to agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is so prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than \$5,000.

(4) Granting a contractor access to FTI must be preceded by certifying that each individual understands the agency's security policy and procedures for safeguarding IRS information. Contractors must maintain their

authorization to access FTI through annual recertification. The initial certification and recertification must be documented and placed in the agency's files for review. As part of the certification and at least annually afterwards, contractors should be advised of the provisions of IRC Sections 7431, 7213, and 7213A (see Exhibit 6, *IRC Sec. 7431 Civil Damages for Unauthorized Disclosure of Returns and Return Information* and Exhibit 5, *IRC Sec. 7213 Unauthorized Disclosure of Information*). The training provided before the initial certification and annually thereafter must also cover the incident response policy and procedure for reporting unauthorized disclosures and data breaches. (See Section 10) For both the initial certification and the annual certification, the contractor should sign, either with ink or electronic signature, a confidentiality statement certifying their understanding of the security requirements.

III. INSPECTION

The IRS and the Agency shall have the right to send its officers and employees into the offices and plants of the contractor for inspection of the facilities and operations provided for the performance of any work under this contract. On the basis of such inspection, specific measures may be required in cases where the contractor is found to be noncompliant with contract safeguards.

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

December 6, 2011

CHANGE NOTICE NO. 2
 TO
 CONTRACT NO. 071B9200229
 between
 THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR		TELEPHONE (616) 735-2900 Scott Dennis
Rapid Shred, LLC P.O. Box 248 Grandville, MI 49468 sdennis@rapidshred.com		
		BUYER/CA (517) 241-3768 Lance Kingsbury
Contract Compliance Inspector: Jeff Baldwin (517.335.8965) Confidential Document Destruction – Zones 1-7 – DMB-Statewide		
CONTRACT PERIOD: From: July 1, 2009 To: June 30, 2014		
TERMS	SHIPMENT	
1½ % 10, Net 45		N/A
F.O.B.	SHIPPED FROM	
N/A		N/A
MINIMUM DELIVERY REQUIREMENTS N/A		

THIS CONTRACT IS EXTENDED TO LOCAL UNITS OF GOVERNMENT.

NATURE OF CHANGE(S):

Effective immediately, the Contract Compliance Inspector has been changed to:

Jeff Baldwin
DTMB- Records Management Services
3400 N. Grand River Ave.
Lansing, MI 48906
517-335-8965
Baldwinj@michigan.gov

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

AUTHORITY/REASON:

Per agency request and DTMB Procurement approval.

CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$449,750.00

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

October 26, 2009

CHANGE NOTICE NO. 1
TO
CONTRACT NO. 071B9200229
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR Rapid Shred, LLC P.O. Box 248 Grandville, MI 49468 sdennis@rapidshred.com		TELEPHONE (616) 735-2900 Scott Dennis
		BUYER/CA (517) 241-3768 Lance Kingsbury
Contract Compliance Inspector: Dave Stevens (517.373.2107) Confidential Document Destruction – Zones 1-7 – DMB-Statewide		
CONTRACT PERIOD: From: July 1, 2009 To: June 30, 2014		
TERMS 1½ % 10, Net 45	SHIPMENT	N/A
F.O.B. N/A	SHIPPED FROM	N/A
MINIMUM DELIVERY REQUIREMENTS N/A		

THIS CONTRACT IS EXTENDED TO LOCAL UNITS OF GOVERNMENT.

NATURE OF CHANGE(S):

Effective immediately, this Contract is available to MiDEAL members. MiDEAL extends this Contract to municipalities, colleges and universities, school districts, and non-profit hospitals.

The following MiDEAL language is hereby incorporated into this Contract:

2.281 MiDEAL

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

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

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

Contract #071B9200229
Change Notice No. 1
Page Two

State Administrative Fee

The Contractor must collect an Administrative Fee on the sales transacted under this Contract. The Contractor must remit the Administrative Fee in U.S. dollars within 30 days after the end of the quarterly sales reporting period. The Administrative Fee equals one percent of the total quarterly sales reported. Contractor must include the Administrative Fee in their prices.

The Contractor must remit any monies due as a result of the close-out report at the time the close-out report is submitted to Purchasing Operations.

The Contractor must pay the Administrative Fee by check. To ensure the payment is credited properly, the Contractor must identify the check as an "Administrative Fee" and include the following information with the payment: *Applicable State BPO Number, report amount(s), and reporting period covered.*

Contractor must forward the check to the following address:

*Department of Management and Budget
Financial Services – Cashier Unit
Lewis Cass Building
320 South Walnut St.
P.O. Box 30681
Lansing, MI 48909*

Please make check payable to: State of Michigan

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

AUTHORITY/REASON:

Per vendor agreement (email dated 10/21/09), and DMB/Purchasing Operations' approval.

CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$449,750.00

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

June 22, 2009

**NOTICE
 TO
 CONTRACT NO. 071B9200229
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF CONTRACTOR Rapid Shred, LLC P.O. Box 248 Grandville, MI 49468		TELEPHONE (616) 735-2900 Scott Dennis
		BUYER/CA (517) 241-3768 Lance Kingsbury
sdennis@rapidshred.com		
Contract Compliance Inspector: Dave Stevens (517.373.2107) Confidential Document Destruction – Zones 1-7 – DMB-Statewide		
CONTRACT PERIOD: From: July 1, 2009 To: June 30, 2014		
TERMS 1½ % 10, Net 45	SHIPMENT N/A	
F.O.B. N/A	SHIPPED FROM N/A	
MINIMUM DELIVERY REQUIREMENTS N/A		

The terms and conditions of this Contract are those of RFP #071I9200124, this Contract Agreement and the Contractor's quote. In the event of any conflicts between the specifications, and terms and conditions, indicated by the State and those indicated by the Contractor, those of the State take precedence.

Current Authorized Spend Limit: **\$449,750.00**

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

**CONTRACT NO. 071B9200229
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF CONTRACTOR Rapid Shred, LLC P.O. Box 248 Grandville, MI 49468 <div style="text-align: right;">sdennis@rapidshred.com</div>	TELEPHONE (616) 735-2900 Scott Dennis BUYER/CA (517) 241-3768 Lance Kingsbury
Contract Compliance Inspector: Dave Stevens (517.373.2107) Confidential Document Destruction – Zones 1-7 – DMB-Statewide	
CONTRACT PERIOD: From: July 1, 2009 To: June 30, 2014	
TERMS <div style="text-align: center;">1½ % 10, Net 45</div>	SHIPMENT <div style="text-align: center;">N/A</div>
F.O.B. <div style="text-align: center;">N/A</div>	SHIPPED FROM <div style="text-align: center;">N/A</div>
MINIMUM DELIVERY REQUIREMENTS <div style="text-align: center;">N/A</div>	
MISCELLANEOUS INFORMATION: <p>The terms and conditions of this Contract are those of RFP #071I9200124, this Contract Agreement and the Contractor's quote. In the event of any conflicts between the specifications, and terms and conditions, indicated by the State and those indicated by the Contractor, those of the State take precedence.</p> <p>Current Authorized Spend Limit: \$449,750.00</p>	

THIS IS NOT AN ORDER: This Contract Agreement is awarded on the basis of our inquiry bearing the RFP No. 071I9200124. Orders for delivery may be issued directly by the State Departments through the issuance of a Purchase Order Form.

FOR THE CONTRACTOR: <div style="text-align: center;"> Rapid Shred, LLC <hr/> Firm Name </div> <div style="text-align: center;"> <hr/> Authorized Agent Signature </div> <div style="text-align: center;"> <hr/> Authorized Agent (Print or Type) </div> <div style="text-align: center;"> <hr/> Date </div>	FOR THE STATE: <div style="text-align: center;"> <hr/> Signature Lance Kingsbury, Buyer-Specialist <hr/> Name/Title Services Division, Purchasing Operations <hr/> Division </div> <div style="text-align: center;"> <hr/> Date </div>
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**STATE OF MICHIGAN
Department of Management and Budget
Purchasing Operations**

Contract No. 071B9200229

Confidential Document Destruction - Statewide

Buyer Name: Lance Kingsbury
Telephone Number: (517) 241-3768
E-Mail Address: kingsburyL@michigan.gov



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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 this Contract, but not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration.

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

“Business Day,” whether capitalized or not, will mean any day other than a Saturday, Sunday or State-recognized legal holiday (as identified in the Collective Bargaining Agreement for State employees) from 8:00 a.m. EST through 5:00 p.m. 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 (N/A)” means that section is not applicable or included in this Contract. 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

“Disclosure” is the release, either intentional or through neglect of confidential information to an unauthorized individual.

“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**.

“End Product” means the final material result of the standard, non-augmented, destruction process used for paper, non-paper media, and other confidential items that would be handled under the Contracted services.

“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 this 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 an 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 this Contract and not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration.



“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.

“Pulverization” is a method of reducing documents by pounding, crushing or grinding to small unrecognizable particles that cannot be reconstructed.

“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.

All times noted in this Contract relates to the Eastern Time Zone, which is Eastern Standard Time (EST).



Article 1 – Statement of Work (SOW)

1.010 Project Identification

1.011 Project Request

This is a Contract for Statewide Confidential Document Destruction. This Contract will be Statewide and the Contractor must be able to service all zones noted herein. SUB-CONTRACTING WILL NOT BE PERMITTED UNDER THIS CONTRACT.

1.012 Background

State Agencies require that documents in their possession, which contain sensitive or personal information, must be destroyed in accordance with Public Act 566 of 2006 effective on July 2, 2007, which amended the Identity Theft Protection Act (ITPA), Public Act 452 and 454 of 2004. In State Records Management Service's plan to comply with the laws and to assure that our records are confidentially destroyed with no possibility of reconstruction, we prefer pulverization versus shredding for our approximate 35,000 boxes of state government records destroyed on an annual basis. Shredding must equal or exceed federal methods of destruction of confidential information. The acceptability of the shredded product will be the sole decision of the State.

1.020 Scope of Work and Deliverables

1.021 In Scope

(a) The Contractor will be required to destroy confidential records generated by State of Michigan agencies and to report the volume as described in this Contract.

Included in this service is the requirement for the Contractor to furnish the recyclable scrap paper generated through the destruction of these confidential records, for remanufacture into recycled paper. Destruction is to be by burning, cross-cut shredding, or pulverization. This service must be performed on the Contractor's premises. "Pulping" is not an acceptable means of destruction for the purpose of this Contract. Destruction of confidential records for the State Department of Treasury must be in compliance with IRS Publication 1075 Safeguards for Protecting Federal Tax Returns and Return Information (<http://www.irs.gov/pub/irs-pdf/p1075.pdf>).

The method of destruction of non-paper items such as clothing (uniforms) must be by incineration (fire) or shredded. Other media, such as tape cartridges, driver's licenses, CDs, etc., must be ground to dust and physically destroyed.

(b) Destruction must be completed within 24 hours (one work day) of receipt of material, except in circumstances where a State agency makes prior arrangements to witness the destruction process.

(c) The Contractor will be required to operate a facility in which the security and confidentiality of all materials received for destruction is assured at all times. The Contractor will be required to provide with the monthly invoices a 'Affidavit of Destruction' which will indicate the department and agency for which the destruction was performed, the date of the destruction, the number of boxes, items destroyed, and the signature of the individual who performed the destruction.

(d) The Contractor must furnish all mobile carts, wire cages, Gaylord boxes, etc., needed for this Contract. Mobile carts, wire cages, and Gaylord boxes must be clearly marked that they are the property of the Contractor. The Contractor will not accept material in mobile carts, wire cages, or Gaylord boxes which are not the property of the Contractor.

(e) The Contractor will be permitted to assess a minimum charge if that charge is noted on the pricing page (Appendix A). Note: No fuel surcharges are allowed under this Contract.

(f) The Contractor will be required to accept request for services in writing, by e-mail, telephone, or by facsimile transmission. The Contractor must provide an 800-telephone number, or accept collect calls, if long distance or toll calls are required in order for an agency to request service under this Contract. The Contractor, upon requests by all agencies served, will provide forms to be used for the processing of request for service.



(g) The Contractor will be responsible for providing the means for State agency personnel to deliver and/or witness the destruction of confidential records, with prior arrangements. There will be no additional charge for this service.

(h) The Contractor must use State Certified scales throughout the term of this Contract. Proof of certification of scales must be provided prior to Contract start date.

(i) Charges for destruction service must be based on the weight of the material destroyed. The weight of pallets and containers must be deducted from the chargeable weight as report on invoices and required reports.

(j) In addition to paper, the Contractor must provide for destruction of records on other forms of media. Periodically destruction of magnet data tapes, computer disks, microfiche, or other forms of media used for retention of records, is required. They must also provide for the destruction of clothing such as police uniforms, etc.

The majority of records to be destroyed will be paper; however, some will be other media such as magnetic tape, computer disks, microfiche, uniforms, etc. Offices within the Counties of Eaton, Ingham, and Wayne will receive pick-up service of records within 48 hours of notification. All other counties in the Lower Peninsula will receive pick-up service as scheduled by the Contractor; however, this service will not exceed 14 calendar days. Service for the Upper Peninsula, if not available at this time, may be reviewed for service at a later date. Destruction of all records will occur within 24 hours following pick-up from State facilities.

Following destruction of paper documents, the Contractor will be required to furnish all recyclable scrap paper generated through this process for manufacture into recycled paper products or products containing post-consumer waste paper.

(k) Definition of a Confidential Record: a record where usage might constitute an invasion of privacy; or whose use has been restricted by contractual agreement. Any document containing information, which could lead to an identification of an individual such as, but not limited to:

- Name
- Address
- Telephone number
- Social security number
- Driver license number
- Case or client identification number

1.022 Work and Deliverable

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

(a) The Contractor will be required to pick up material upon receipt of requests by State agencies located in Ingham, Eaton, and Wayne counties and other locations as agreed. Pick ups must be completed within 48 hours (two work days) of notification, or according to established delivery schedules. An agency may, through mutual agreement, allow the Contractor additional time.

(b) The Contractor will be required to make pick-ups during normal operating hours. The Contractor must not disrupt normal operations of an office. In the event that equipment is needed to accomplish a pick up (wheeled hand trucks, mobile carts, pallet lifts, etc.), this equipment must not cause damage to the floors, carpeting, walls, doorways or office equipment at that location. The Contractor must furnish all equipment.

(c) The Contractor will be responsible for maintaining a record of each batch of records submitted for destruction and must furnish an affidavit of destruction upon request.

(d) The Contractor will be responsible (d) submitting a detailed monthly invoice for service rendered. Each invoice must be submitted to the Contract Compliance Inspector (CCI) no later than the 10th working day of the month following the end of each month of service. Invoices must include the following:



1. Agency name and address
2. Date of pick up
3. Date of destruction
4. Quantity of material destroyed (the number of boxes, pallets, containers, etc.).
5. Weight of the material destroyed.
6. The name of the person who authorized the destruction.
7. The requesting agency's complete Account Code (necessary for processing payment through the State's Michigan Administrative Information Network (MAIN) system.) This account code will be 63 alpha/numeric digits of data in 12 fields.

1.030 Roles and Responsibilities

1.031 Contractor Staff, Roles, and Responsibilities

(a) All persons assigned to this Contract must be employees of the Contractor, meet the qualifications outlined below, and must agree to the confidentiality provisions of the Revenue Act as required by Treasury by executing a non-disclosure and confidentiality agreement. Each employee will participate in security and safeguard awareness training that is offered by Treasury through a video or web cast.

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

- (b) The Contractor will provide the names of all drivers assigned to this Contract and provide drivers with proper identification to present when picking up documents for destruction.
- (c) The Contractor will provide sufficient qualified staffing to satisfy the deliverables of this Contract.
- (d) The CCI will have prime responsibility and final authority for the work completed by the Contractor.
- (e) The Contractor must notify the CCI within one hour of becoming aware of any potential security breach (i.e. accident, break-in, missing information, etc.)

1.040 Project Plan

1.041 Project Plan Management

Project Control

- (a) The Contractor will carry out this Contract under the direction and control of the Department of Management and Budget.
- (b) Although there will be continuous liaison with the Contractor, the CCI will meet semi-annually, at a minimum, with the Contractor's project manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.
- (c) The Contractor will submit brief, written summaries of progress, which outline accomplishments, problems (which may have arisen and their resolution), and other pertinent information, with each monthly statistical report. A summary of the annual activities must also be included with the annual statistical report submitted at the end of each fiscal year.
- (d) The CCI, Records Center staff, and the Department of Treasury reserve the right to perform unannounced visits to the Contractor's processing facility for the purposes of conducting performance audits.

**1.042 Reports**

The Contractor will be required to report each month the volume of confidential records destroyed, the volume of paper or by-product recycled, and an Ecology Report (sample report is attached) and include year-to-date figures. The reporting period must coincide with the State's fiscal year period (October 1 through September 30). Each report must be submitted to the CCI no later than the 10th working day of the month following the end of each month of service. The Contractor must also provide a year-end summary of record destruction activity no later than October 15 of each calendar year.

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:

- (a) Timely pick up and destruction of documents when service is requested.
- (b) All designated reports are delivered to the State with acceptance in writing from the CCI.

1.052 Final Acceptance – Deleted N/A**1.060 Proposal Pricing****1.061 Contract Pricing**

See Appendix A.

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

1.062 Price Term

Prices are the maximum for a period of 365 days from the date this Contract becomes effective.

Prices are subject to change at the end of each 365-day period. Such changes must be based on changes in actual costs incurred. Documentation of such changes must be provided with the request for price change in order to substantiate any requested change. Purchasing Operations reserves the right to consider various pertinent information sources to evaluate price increase requests (such as the CPI and PPI, US City Average, as published by the US Department of Labor, Bureau of Labor Statistics). Purchasing Operations also reserves the right to consider other information related to special economic and/or industry circumstances, when evaluating a price change request. Changes may be either increases or decreases, and may be requested by either party. Approved changes must be firm for the remainder of this Contract period unless further revised at the end of the next 365-day period. Requests for price changes must be RECEIVED IN WRITING AT LEAST 10 DAYS PRIOR TO THEIR EFFECTIVE DATE, and are subject to written acceptance before becoming effective. In the event new prices are not acceptable, this CONTRACT may be cancelled. **The Contractor remains responsible for performing according to these Contract terms at this Contract price for all orders received before price revisions are approved or before this Contract is cancelled.**

NOTE: NO FUEL SURCHARGES WILL BE ACCEPTED BY THE STATE

Pricing is as a cost per ton and/or stop charge **ONLY**.

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 this 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 N/A

1.070 Additional Requirements

1.071 Transition Information and Contingency Plan

The period of July 1, 2009 through August 1, 2009 will be for implementation and transition for the Contractor; no payment will be made to the Contractor during this period. The Contractor must begin providing all Services, without interruption, on August 1, 2009.

1.072 Additional Pick-up Information

If the Contractor picks up recyclables at the same location, they must not co-mingle the recyclables with the document destruction materials/documents. These must be completely segregated on different trucks and/or pick-ups.



Article 2, Terms and Conditions

2.000 Contract Structure and Term

2.001 Contract Term

This Contract is for a period of five years beginning July 1, 2009 through June 30, 2014. All outstanding Purchase Orders must also expire upon the termination (cancellation for any of the reasons listed in **Section 2.130**) of this 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 Renewal(s)

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

2.003 Legal Effect

Contractor must show acceptance of this Contract by signing two copies of this Contract and returning them to the Contract Administrator. The Contractor must not proceed with the performance of the work to be done under this Contract, including the purchase of necessary materials, until both parties have signed this 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 this 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.

2.006 Order of Precedence

(a) This Contract, including any Statements of Work and Exhibits, to the extent not contrary to this Contract, each of which is incorporated for all purposes, constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior agreements, whether written or oral, with respect to 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 this Contract and a Statement of Work, the terms of the Statement of Work will take precedence (as to that Statement of Work only); provided, however, that a Statement of Work may not modify or amend the terms of this Contract, which may be modified or amended only by a formal Contract amendment.

2.007 Headings

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

**2.008 Form, Function, & Utility**

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

2.010 Consents and Approvals

Except as expressly provided otherwise in this Contract, if either party requires the consent or approval of the other party for the taking of any action under this Contract, 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 this Contract then the party has not waived the right to later insist upon strict adherence to that term, or any other term, of this Contract.

2.012 Survival

Any provisions of this 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 this Contract for any reason. Specific references to survival in this Contract are solely for identification purposes and not meant to limit or prevent the survival of any other section.

2.020 Contract Administration**2.021 Issuing Office**

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

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

2.022 Contract Compliance Inspector (CCI)

After DMB-Purchasing Operations receives this 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 this Contract on a day-to-day basis during its term. However, monitoring of this Contract implies **no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of this Contract as that authority is retained by DMB Purchasing Operations.** The Contract Compliance Inspector for this Contract is:

Dave Stevens
DMB – Facilities Administration
Mason Building, 1st Floor
PO Box 30026
Lansing, MI 48909
Stevensd1@michigan.gov
(517) 373-2107

**2.023 Project Manager**

The following individual will oversee the project: same as CCI in **Section 2.022**.

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

If the 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 may 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 this Contract.

2.025 Notices

Any notice given to a party under this Contract must be deemed effective, if addressed to the party as addressed in **Section 2.021** and the Contractor's address on the cover of this Contract, upon: (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile if a copy of the notice is sent by another means specified in this Section; (iii) the third Business Day after being sent by U.S. mail, postage pre-paid, return receipt requested; or (iv) the next Business Day after being sent by a nationally recognized overnight express courier with a reliable tracking system.

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

2.026 Binding Commitments

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

2.027 Relationship of the Parties

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

2.028 Covenant of Good Faith

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

**2.029 Assignments**

(a) Neither party may assign this Contract, or assign or delegate any of its duties or obligations under this Contract, to any other party (whether by operation of law or otherwise), without the prior written consent of the other party; provided, however, that the State may assign this Contract to any other State agency, department, division or department without the prior consent of Contractor and Contractor may assign this Contract to an affiliate so long as the affiliate is adequately capitalized and can provide adequate assurances that the affiliate can perform this 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 this Contract or the State's ability to recover damages.

(b) Contractor may not, without the prior written approval of the State, assign its right to receive payments due under this Contract. 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 this Contract that all payments must be made to one entity continues.

(c) If the Contractor intends to assign this Contract or any of the Contractor's rights or duties under this 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 this Contract or project to which it relates must not be made without prior written State approval, and then only in accordance with the explicit written instructions from the State. No results of the activities associated with this 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 this RFP development, or as a Vendor offering free assistance) to gain a competitive advantage on this 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 must specify (or indicate by reference to the appropriate Contract Exhibit) the firm, fixed prices for all Services/Deliverables, and the associated payment milestones and payment amounts. The State may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the Contract Administrator, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

2.042 Adjustments for Reductions in Scope of Services/Deliverables

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

2.043 Services/Deliverables Covered

For all Services/Deliverables to be provided by Contractor (and its Subcontractors, if any) under this Contract, the State will 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 must list (or indicate by reference to the appropriate Contract Exhibit) the prices for all Services/Deliverables, equipment, and commodities to be provided, and the associated payment milestones and payment amounts.

(b) Each Contractor invoice 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) 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 must be forwarded to the designated representative by the 15th day of the following month.

2.045 Pro-ration

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

2.046 Antitrust Assignment

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

**2.047 Final Payment**

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

2.048 Electronic Payment Requirement

Electronic transfer of funds is required for payments on State Contracts. Contractors are required to register with the State electronically at <http://www.cpexpress.state.mi.us>. As stated in Public Act 431 of 1984, all contracts that the State enters into for the purchase of goods and services will 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 CCI with the names of the Key Personnel.

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



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

2.065 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 this Contract is very specific and agrees not to unnecessarily or unreasonably interfere with, delay or otherwise impeded Contractor's performance under this Contract with the requests for access.

**2.067 Contractor Return of State Equipment/Resources**

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

2.068 Contract Management Responsibilities – Deleted N/A**2.070 Subcontracting by Contractor****2.071 Contractor Full Responsibility**

Contractor will 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 must not delegate any duties under this Contract to a Subcontractor.

2.073 Subcontractor Bound to Contract – Deleted N/A**2.074 Flow Down – Deleted N/A****2.075 Competitive Selection – Deleted N/A****2.080 State Responsibilities****2.081 Equipment**

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

2.082 Facilities

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

2.090 Security**2.091 Background Checks**

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



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

2.092 Security Breach Notification

If the Contractor breaches this Section, the Contractor must (i) promptly cure any deficiencies and (ii) comply with any applicable federal and state laws and regulations pertaining to unauthorized disclosures. Contractor and the State will cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor must report to the State in writing any use or disclosure of Confidential Information, whether suspected or actual, other than as provided for by this Contract within one hour of becoming aware of the use or disclosure or the shorter time period as is reasonable under the circumstances. Any incident that puts confidential State data at risk must be reported of the State as a potential security breach for further investigation.

2.093 PCI Data Security Requirements – Deleted N/A

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, except to the extent that the confidential information has been destroyed in the performance of the services pursuant to this Contract. 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. In recognition of the Contractor's proprietary information that will be shared under this Contract, the State will execute the Contractor's standard non-disclosure agreement.

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

**2.103 Exclusions**

Notwithstanding the foregoing, the provisions of **Section 2.100** will not apply to any particular information which the State or Contractor can demonstrate (i) was, at the time of disclosure to it, in the public domain; (ii) after disclosure to it, is published or otherwise becomes part of the public domain through no fault of the receiving party; (iii) was in the possession of the receiving party at the time of disclosure to it without an obligation of confidentiality; (iv) was received after disclosure to it from a third party who had a lawful right to disclose the information to it without any obligation to restrict its further disclosure; or (v) was independently developed by the receiving party without reference to Confidential Information of the furnishing party. Further, the provisions of **Section 2.100** will not apply to any particular Confidential Information to the extent the receiving party is required by law to disclose the Confidential Information, provided that the receiving party (i) promptly provides the furnishing party with notice of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of the disclosure as reasonably requested by the furnishing party.

2.104 No Implied Rights

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

2.105 Respective Obligations

The parties' respective obligations under this Section must survive the termination or expiration of 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, 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. 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 unreasonably 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. Contractor reserves the right to request that each State representative sign a non-disclosure agreement to access the Contractor's premises or any other place that services are being performed.

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 this 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 this 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 this Contract and to the Services, equipment, and commodities provided under this Contract) pertaining to this 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 this Contract, whichever is earlier.

(b) In addition to other available remedies, the difference between the payment received and the correct payment amount is greater than 10%, then the Contractor 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) These 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 these 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) This 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 this Contract.

(n) If any of the certifications, representations, or disclosures made in the Contractor's original bid response change after this Contract start date, the Contractor is required to report those changes immediately to the Department of Management and Budget, Purchasing Operations.

2.122 Warranty of Merchantability – Deleted N/A

2.123 Warranty of Fitness for a Particular Purpose – Deleted N/A

2.124 Warranty of Title – Deleted N/A

2.125 Equipment Warranty – Deleted N/A

2.126 Equipment to be New – Deleted N/A

2.127 Prohibited Products – Deleted N/A

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 coverage's 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 INSUREDS on the Commercial General Liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

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

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

3. Workers' compensation coverage must be provided according to applicable laws governing the employees and employers work activities in the state of the Contractor's domicile. If 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).

2.132 Subcontractor Insurance Coverage – Deleted N/A

2.133 Certificates of Insurance and Other Requirements

Contractor must furnish to DMB-Purchasing Operations, certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "Certificates"). The Certificate must be on the standard "accord" form or equivalent. **THIS CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING.** All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) 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 this Contract or Purchase Order number affected. Before this 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 this 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 – Deleted N/A

**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 this 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 – Deleted N/A**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 this 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 this 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 this Contract, (b) relocation of office, program changes, changes in laws, rules, or regulations make implementation of the Services no longer practical or feasible, (c) unacceptable prices for Additional Services or New Work requested by the State, or (d) falsification or misrepresentation, by inclusion or non-inclusion, of information material to a response to any 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 this Contract is reduced by law, or funds to pay Contractor for the agreed-to level of the Services or production of Deliverables to be provided by Contractor are not appropriated or otherwise 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 this 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 this Contract and which are resulting from this 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 this 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 2.190** before it terminates this Contract.

2.170 Transition Responsibilities

2.171 Contractor Transition Responsibilities

If the State terminates this Contract, for convenience or cause, or if this 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 30 (thirty) days. These efforts must include, but are not limited to, those listed in **Sections 2.171, 2.172, 2.173, 2.174, and 2.175**.

2.172 Contractor Personnel Transition

The Contractor must work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be accomplished by the parties, to effect an orderly transition. The Contractor must allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the services required by 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 the 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 – Deleted N/A

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

2.182 Cancellation or Expiration of Stop Work Order

The Contractor must resume work if the State cancels a Stop Work Order or if it expires. The parties will agree upon an equitable adjustment in the delivery schedule, this Contract price, or both, and this 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 this Contract; and (b) Contractor asserts its right to an equitable adjustment within 30 calendar days after the end of the period of work stoppage; provided that, if the State decides the facts justify the action, the State may receive and act upon a Contractor proposal submitted at any time before final payment under this Contract. Any adjustment will conform to the requirements of **Section 2.024**.

2.183 Allowance of Contractor Costs

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

2.190 Dispute Resolution

2.191 In General

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



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

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

(b) This Section will not be construed to prevent either party from instituting, and a party is authorized to institute, formal proceedings earlier to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or under **Section 2.193**.

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

2.193 Injunctive Relief

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.192** is where a party makes a good faith determination that a breach of the terms of this 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 this 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 this 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 this Contract, Contractor agrees not to discriminate against any employee or applicant for employment, with respect to his or her hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, or 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 this 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 this 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 this Contract, the name of Contractor as an employer or the name of the Subcontractor, manufacturer or supplier of Contractor appears in the register.

2.203 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

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

2.212 Compliance with Laws

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

2.213 Jurisdiction

Any dispute arising from this 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.

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 this 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 Purchasing Operations.
 - (2) Contractor must also notify DMB Purchasing Operations within 30 days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.
 - (3) Contractor must also notify DMB Purchasing Operations within 30 days whenever changes to company affiliations occur.

2.232 Call Center Disclosure

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

2.233 Bankruptcy

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

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

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

2.240 Performance

2.241 Time of Performance

a) Contractor must use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables according to the time schedules contained in the Statements of Work and other Exhibits governing the work, and with professional quality.

(b) Without limiting the generality of **Section 2.241(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 these 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 N/A

2.243 Liquidated Damages

The parties acknowledge that late or improper completion of the Work will cause loss and damage to the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result. Therefore, Contractor and the State agree that if there is late or improper completion of the Work and the State does not elect to exercise its rights under **Section 2.152**, the State is entitled to collect liquidated damages in the amount of \$5,000.00 and an additional \$100.00 per day for each day Contractor fails to remedy the late or improper completion of the Work.

**2.244 Excusable Failure**

Neither party will be liable for any default, damage or delay in the performance of its obligations under this Contract to the extent 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 this Contract for so long as the delay in performance continues; (b) the State may terminate any portion of this 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 this Contract except to the extent that a Subcontractor is itself subject to an Excusable Failure condition described above and Contractor cannot reasonably circumvent the effect of the Subcontractor's default or delay in performance through the use of alternate sources, workaround plans or other means.

2.250 Approval of Deliverables**2.251 Delivery Responsibilities – Deleted N/A****2.252 Delivery of Deliverables – Deleted N/A****2.253 Testing – Deleted N/A****2.254 Approval of Deliverables, In General – Deleted N/A****2.255 Process For Approval of Written Deliverables – Deleted N/A****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 – Deleted N/A

2.258 Final Acceptance – Deleted N/A

2.260 Ownership

2.261 Ownership of Work Product by State – Deleted N/A

2.262 Vesting of Rights – Deleted N/A

2.263 Rights in Data – Deleted N/A

2.264 Ownership of Materials – Deleted N/A

2.270 State Standards

2.271 Existing Technology Standards

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

2.272 Acceptable Use Policy

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

2.273 Systems Changes

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

2.280 Extended Purchasing – Deleted N/A

2.290 Environmental Provision – Deleted N/A



Appendix A – Pricing

(a) For Ingham, Eaton, and Wayne Counties (Zone 1):

Item	Description	Estimated Number of Stops	Stop Charge (if applicable)	Unit Price per Pound	Estimated Pounds per Year	One Year Total Price
1	Pick-up and destruction of Confidential Records in lots exceeding 1 ton (2,000 lbs) in weight (est. 14% by volume).	150	N/A	\$0.02	300,000	\$6,000.00
2	Pick-up and destruction of Confidential Records in lots weighing between 500 lbs and 1 ton (2,000 lbs) (est. 46% by volume).	950	\$30.00	N/A	920,000	\$28,500.00
3	Pick-up and destruction of Confidential Records in lots weighing less than 500 lbs. (est. 40% by volume) Minimum Charge	1600	\$22.00	N/A	800,000	\$35,200.00
4	Pick-up and destruction of other non-paper media such as magnetic tape, video tapes, driver licenses, uniforms, microfiche, etc.	As Needed	N/A	\$0.15	31,000	\$4,650.00
Total One Year Price (Zone 1):					\$74,350.00	
Total Five Year Price (Zone 1):					\$371,750.00	

(b) Pricing for facilities not located within Eaton, Ingham, and Wayne counties (for Zone(s) 2-7).

Agencies outside the three counties listed above, are not under Contractual obligation to use this Contract. State of Michigan facilities not located within Eaton, Ingham, and Wayne counties, who choose to use this Contract and are within the Contractor's standard service areas and can be picked up in conjunction with regularly scheduled service, may be accommodated. The following list for Zones 2 through 7 provides the counties for each Zone for bidding purposes:

Zone 2	Allegan, Barry, Berrien, Branch, Calhoun, Cass, Clinton, Genesee, Hillsdale, Ionia, Jackson, Kalamazoo, Kent, Lapeer, Lenawee, Livingston, Macomb, Monroe, Oakland, Ottawa, Shiawassee, St Clair, St. Joseph, Van Buren, Washtenaw
Zone 3	Clare, Isabella, Lake, Mason, Mecosta, Montcalm, Muskegon, Newaygo, Oceana, Osceola
Zone 4	Arenac, Bay, Gladwin, Gratiot, Huron, Midland, Saginaw, Sanilac, Tuscola
Zone 5	Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, Wexford
Zone 6	Alcona, Alpena, Cheboygan, Crawford, Iosco, Montmorency, Ogemaw, Oscoda, Otsego, Presque Isle, Roscommon
Zone 7	Alger, Baraga, Chippewa, Delta, Dickinson, Gogebic, Houghton, Iron, Keweenaw, Luce, Mackinac, Marquette, Menominee, Ontonagon, Schoolcraft

Zone	Item	Estimated Number of Stops	Stop Charge (if applicable)	Unit Price per pound	Estimated Pounds per Year	One Year Total Price
2	Minimum Stop Charge (per each if applicable) & price per pound	500	\$22.00 or \$30.00*	N/A	610,000	\$13,000.00
3	Minimum Stop Charge (per each if applicable) & price per pound	100	\$22.00 or \$30.00*	N/A	155,000	\$2,600.00
4	Minimum Stop Charge (per each if applicable) & price per pound	As Needed	\$50.00 minimum	\$0.05	N/A	\$
5	Minimum Stop Charge (per each if applicable) & price per pound	As Needed	\$50.00 minimum	\$0.05	N/A	\$
6	Minimum Stop Charge (per each if applicable) & price per pound	As Needed	\$75.00 minimum	\$0.05	N/A	\$
7	Minimum Stop Charge (per each if applicable) & price per pound	As Needed	\$75.00	\$0.05	N/A	\$
Total One Year Price (Zones 2-7):					\$15,600.00	
Total Five Year Price (Zones 2-7):					\$78,000.00	



Total Five Year Price (Zone 1):	\$371,750.00
Total Five Year Price (Zones 2-7):	\$78,000.00
TOTAL FIVE YEAR CONTRACT PRICE:	\$449,750.00

NOTE: All quantities used for stops and pounds are estimates only. Actual stops and pounds can vary from year to year. The State does not commit to purchase in any set quantity or amount.

Quick payment terms of one and a half percent (1.5%) discount off invoice if paid within 10 days.

NOTE: NO FUEL SURCHARGES WILL BE ACCEPTED BY THE STATE

* For pricing purposes, an average of \$26.00 was used to calculate the costs in Zones 2 and 3. The stop charge noted in Zone 1, items 2 and 3 will apply to Zone 2 and 3 (see below pricing structure):

Pick-up and destruction of Confidential Records in lots weighing less than 500 lbs: \$22.00

Pick-up and destruction of Confidential Records in lots weighing between 500 lbs and 2,000 lbs: \$30.00



Appendix B – Compliance and Audit Forms

NOTICE TO OFFICERS AND EMPLOYEES OF VENDORS, CONTRACTORS, AND SUBCONTRACTORS WHO PERFORM SERVICES FOR THE STATE OF MICHIGAN

Authorized officers and employees who have been granted access to Michigan Department of Treasury tax return information are reminded that you may not access or disclose tax returns or tax return information without specific authority under the Department's Contract with your company. Access to Treasury information, both paper and electronically based information, is allowed on a "need to know" basis to perform these Contracted duties. Before you disclose returns or return information to other employees in your company, they must also have a "need to know" the information in order to perform Contractual duties.

Do not access, research, or change any account, file, record, or application not required to perform your official duties. You are forbidden to access your own account, or that of a spouse, friend, neighbor, relative, any account in which you have a personal or financial interest or the account of a celebrity or other public person unless specifically instructed to do so. If you are assigned to work on one of these accounts, contact your supervisor immediately. Otherwise, ACCESS ONLY those accounts required to accomplish your contracted duties.

If you prepare or are involved in the preparation of tax returns for someone other than yourself, this may constitute a conflict of interest. Access to Michigan or federal tax return information is not permitted. You must contact your supervisor immediately.

Do not E-MAIL or FAX taxpayer information.

If you have been given authorization to access a computer system or application, you must PROTECT your password from disclosure. DO NOT reveal it or share it with ANYONE, regardless of his or her position in or outside your company. Please make every reasonable effort to protect your password. If you suspect someone is using your password, change your password immediately and contact your usercode manager or supervisor to report a possible security violation. Promptly report all security incidents.

All tax returns and tax return information must be given the highest level of protection from unauthorized browsing or access. Do not leave Michigan or federal tax return information unattended. Place documents in a designated secured area during unattended periods.

Always sign off if you go to lunch, or break, or leave your terminal for any length of time. Retrieve any hard copy prints you make through a printer. If you have tax information that must be destroyed, never discard in a wastebasket. Place confidential tax materials in waste containers designated for shredding confidential records or in secured area until arrangements can be made to destroy such tax information.

Criminal and Civil Penalties

If you make an unauthorized access or disclosure of tax returns or tax return information, you may be subject to criminal and civil penalties under the Michigan Revenue Act and the Internal Revenue code (IRC). Penalties can include dismissal, fines, and imprisonment.

Michigan Penalties

The Michigan Revenue Act, (P.A. 122 of 1941, as amended) will impose a felony penalty up to \$5,000 and/or imprisonment for 5 years, if it finds that you have intentionally accessed or browsed Michigan tax returns and tax return information and/or disclose the contents of return information. Section 205.28(1)(f) was recently amended and provides that you may not willfully inspect (browse) any return or information contained in a return. Inspection (browsing) is defined as examining a return or return information acquired by a person or another person without authorization and without a need to know the information to perform their official duties.

**Federal Penalties**

The Internal Revenue Code (IRC), section 7213, will impose a felony penalty up to \$5,000 and /or imprisonment of not more than five years, plus prosecution costs, if it finds that you have willfully disclosed to another person federal tax return or tax return information. In addition to the above federal penalty, the IRC, section 7213A, will impose a fine up to \$1,000 and /or imprisonment up to one year, plus prosecution costs, for inspecting browsing or looking at federal tax return or tax return information. Further, you may be subject to civil damages for browsing or looking at federal returns and federal tax information. The IRC, section 7413, requires that notice must be given to an affected taxpayer if you are criminally charged under either of the above IRC sections. The injured taxpayer may bring civil action within two years against the United States and you. The penalty is \$1,000 or the actual damages incurred by the taxpayer.

We each have a responsibility to maintain public trust. Our effectiveness depends on our continued commitment to provide quality service to every contact we have with the public. If you have any questions, please contact the Disclosure Officer in the Office Hearings and Disclosure at 517.636.4105.

Mark Haas
Chief Deputy Treasurer

Signature of Employee _____

Date _____

After you read this reminder, please sign, date, make a copy for your records, and return the original to your supervisor.



**JENNIFER M.
GRANHOLM
GOVERNOR**

**STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING**

**ROBERT J.
KLEINE
STATE TREASURER**

VERIFICATION OF COMPLIANCE

I, _____, confirm that every employee or contractual Agent under my authority that handles Michigan or federal tax return information has read and signed the annual confidentiality reminder notice. I am sending this acknowledgement and attaching a list of the employees who have signed this form to the attention of:

Elizabeth M. Chaney
Disclosure Officer
Michigan Department of Treasury
Technical Services Division
430 W. Allegan St.
Lansing, Michigan 48922

Contractors Representative Signature

Title

Company Name

Address

Phone/E-Mail

Date



AUDIT CHECKLIST
CONFIDENTIAL RECORDS DESTRUCTION PROGRAM

Contract #

Contractor:

Contract Compliance Inspector:

The following is a listing of criteria to be utilized in the auditing of the above referenced company to determine compliance with the statewide Contract for the destruction of confidential records.

- 1. Verification of process to insure that confidential records or materials for the State of Michigan are destroyed within 24 hours of pickup of materials. Utilize a random sampling of pickup tickets.

Ticket No.	Date of Pickup	Date of Disposal	Days Held Before Disposal

Percent of Orders destroyed within 24 hours of pickup of material: _____

- 2. Verification of process that insures that confidential materials are rendered/alterd so as to negate reconstruction of the material or document. Utilize a random selection of material/paper to be destroyed. View destruction process. Inspect end product.

Condition of Destroyed Material

Reconstruction Potential



**AUDIT CHECKLIST
CONFIDENTIAL RECORDS DESTRUCTION PROGRAM**

- 3. Verification of process to insure that all Contractor employees, associated with this State of Michigan Contract, have signed Confidentiality Agreements. Verify that the employees are bonded.

Employee	Agreement on File	Agreement Date	Bonded

Percent of Employee Agreements on File _____

Percent of Employees Bonded _____

- 4. Verification of process to notify employees, associated with this State of Michigan Contract, of the penalties imposed for the improper disclosure of confidential records as defined in the US Privacy Act of 1974.

Process in place _____ Yes _____ No

- 5. Verification of physical security and handling processes in place at the Contractor’s facility, which insures the security and confidentiality of materials received for destruction. Inspect actual storage and handling areas.

All received materials are stored indoors _____ Yes _____ No
 Storage and processing area restricted access _____ Yes _____ No
 24 hour monitoring of restricted areas _____ Yes _____ No

- 6. Verification of up-to-date liability insurance to protect against claims, which may arise, out of or result from the Contractor’s operations under the terms of this Contract.

Examination of Insurance Policy _____ Yes _____ No
 Insurance Policy is Current _____ Yes _____ No



**AUDIT CHECKLIST
CONFIDENTIAL RECORDS DESTRUCTION PROGRAM**

7. Verification of security processes in place on the Contractor’s vehicles utilized to pickup and transport State of Michigan confidential materials. Inspect actual vehicles utilized to transport State of Michigan confidential materials.

- All vehicles equipped with cellular phones Yes No
- All drivers are bonded Yes No
- All drivers wear uniforms and badges Yes No
- All vehicles equipped with locking mechanisms Yes No

8. Verification of processes utilized to insure accurate billing of state agencies for the destruction of confidential materials. Inspect documentation processes. Inspect weight scales.

- Are weight scales government certified annually Yes No
- Pick tickets filled out accurately Yes No
- Division of responsibility in the billing process Yes No
- Double check standards in place Yes No

9. Verification of procedures to insure proper scheduling so that confidential materials are picked up within 48-hour notification by the requesting agency. Inspect pick tickets to note dates.

Percentage of pick tickets inspected that comply with 48-hour notice _____

Verified By: _____ Date: _____

Verified By: _____ Date: _____



Appendix C – Identity Theft Protection Information

Compliance with the Identity Theft Protection Act (Act 452, P.A. 2004)

Public Act 566 of 2006 amended the Identity Theft Protection Act (ITPA), Public Act 452 of 2004, effective on July 2, 2007. Governor Jennifer M. Granholm signed the amending legislation to ensure that Michigan citizens receive timely notification in the event of a breach of security in which sensitive personal information, such as social security and driver's license numbers, is compromised. The Act also prescribes civil and criminal penalties related to improperly reporting or failure to report breaches. These penalties may impact your office and/or your employees personally.

Each department has the responsibility for implementing controls intended to prevent breaches of sensitive personal information maintained by their department. An essential method for preventing security breaches is to educate employees about their role in protecting sensitive data. Important concepts include:

- Identification and definition of sensitive information
- Actions required to safeguard such information
- Actions required when a breach is suspected or has occurred
- Policies, procedures and resources needed to assist with training and implementation.

In the event of a security breach, Act 452 now requires specific notification actions to affected parties. It is important for HAL employees to be aware of these new requirements. Each HAL agency needs to act to prevent security breaches and the loss of sensitive information.

To help ensure that all of HAL's agencies (Administration, Cultural Economic Development, Library of Michigan, Mackinac State Historic Parks, Michigan Council for Arts and Cultural Affairs, Michigan Film Office, Michigan Historical Center) comply with the critical provisions of the ITPA, HAL is undertaking a review of the department's existing privacy, incident response and reporting, and related policies and practices. This review includes the following important steps:

1. Increase the awareness of employees, especially those employees entrusted with maintaining personal information, about their obligations under the law. It is recommended that all employees participate in security awareness education. Also, any employees whose job duties routinely involve work with any form of personal data (printouts/databases/files etc.) must review and become familiar with the relevant Administrative Guide Procedures listed below, and must view the MDIT video.
 - a. Administrative Guide Procedures
 - 1305 Enterprise Information Technology Policy
 - 1315 Storage of Sensitive Information on Mobile Devices and Portable Media
 - 1340 Information Technology Information Security
 - b. MDIT video
 - MDIT has developed a four minute video that will assist with education efforts. The video, "Protecting State of Michigan Sensitive Information", can be viewed at <http://www.michigan.gov/cybersecurity>. It references other existing policies, procedures, and standards that establish State of Michigan requirements for protecting personal and sensitive information. The video also discusses the use of laptop computers and other mobile devices. Although they are efficient and necessary tools, these devices create security risks that can have unintended consequences. Employees need to understand the relevant rules when utilizing such devices away from their work locations.
2. Conduct assessments of systems, applications, or business processes that utilize sensitive personal information. At a minimum, these assessments should include the following:
 - a. Identifying those computer systems/applications that utilize sensitive personal information (social security number, driver's license number, etc.)
 - b. Determining that only appropriately authorized employees have access to such computer systems/applications.
 - c. Evaluating computer systems and manual controls over the flow of such sensitive personal information into, during processing and out of such systems/applications.



3. Evaluate methods for securing and limiting transmission of sensitive personal information via electronic and hardcopy means and through portable computers and storage devices.

Taking work outside the office: If SSN information is stored on an electronic media or portable device, for work away from the office, employees must properly secure such information/media, including the use of encryption, as required by DIT Standard 1315.10. Also, Administrative Guide to State Government Procedure 1315.00 (Policy for Storage for Sensitive Information on Mobile Devices and Portable Media) requires that the employee's department head (or their designee) must approve in advance the storage of information such as SSN on any mobile devices or portable media. Note: Information must be removed from such mobile devices or portable media once the work is completed. If official records, containing SSN information, other than those stored on electronic media or portable devices, need to be taken out of the office to be worked on remotely, employees must obtain their immediate supervisor's prior approval.

4. Develop an incident response process for instances of breaches of personal information.

Draft process:

- a. As Step 1, the HAL office responsible for the computer system/application containing the personal information reports the potential breach to the Deputy Director within 24 hours of discovering the potential breach. The Deputy Director will oversee an initial assessment to determine if the potential breach requires further investigation. If further investigation is required, the Deputy Director will contact DIT's Chief Information Security Officer (CISO)/DIT Office of Enterprise Security (OES) for assistance. Detailed directions are provided in the SOM Operating Procedure – How to Handle a Breach of Personal Identifiable/Sensitive Information Incidents.
 - b. If, after the investigation described in Step 1, it is determined that the security breach has or is likely to cause substantial loss or injury to, or result in identity theft with respect to one or more Michigan residents, the Deputy Director will notify the Department Director who will follow Steps 11 and 12 of SOM Operating Procedure - How to Handle a Breach of Personal Identifiable/Sensitive Information Incidents. This reporting process is carried out in coordination with DIT.
5. Develop an agency reporting process, in conjunction with MDIT, to alert potentially harmed persons.

Draft process: Adopt the SOM Operating Procedure – How to Handle a Breach of Personal Identifiable/Sensitive Information Incidents, June 1, 2007