Form No. DTMB-3521 (Rev. 7/2015)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract change will not be executed unless form is filed

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

CHANGE NOTICE NO. 4

to

CONTRACT NO. 071B3200022

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
Bellefeuil Szur & Associates Inc	Tom Szur	tszur@bsasoftware.com
14965 Abbey Lane	PHONE	CONTRACTOR'S TAX ID NO. (LAST FOUR DIGITS ONLY)
Bath MI, 48808	517-641-8900	4767

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER / CCI	TREA	Kevin VanGieson	517-241-4338	vangieson@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Brandon Samuel	(517) 284-7025	SamuelB@michigan.gov

CONTRACT SUMMARY

DESCRIPTION: Equalization Data Collection Report

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
November 1, 2012	December 31, 2015	3 - 1 Year	December 31, 2015

PAYMENT TERMS	DELIVERY TIMEFRAME
Net 45	N/A

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

MINIMUM DELIVERY REQUIREMENTS

N/A

DESCRIPTION OF CHANGE NOTICE

EXERCISE OPTION?	LENGTH OF OPTION	EXERCISE EXTENSION?	LENGTH OF EXTENSION	REVISED EXP. DATE
☒	3 Years	☐		December 31, 2018

CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE
$1,040,950.00	$ 531,802.50	$1,572,752.50

DESCRIPTION: Effective November 17, 2015 this contract is exercising three option years and is increased by $531,802.50. The revised contract expiration date is December 31, 2018.
The pricing on this contract hereby decreased, per attached revised Attachment A.

All other terms, conditions, specifications, and remain the same. Per agency request, contract agreement, DTMB Procurement approval, and State Administrative Board approval on 11/17/2015.

Attachment A, Pricing

Deliverable	Revised Annual Pricing	Three Year Total
1. Electronic Receipt and Processing of Information from Local Units	$60,382.50	$181,147.50
2. Hard Copy Receipt and Processing of Information from Local Units (Cost Per County) (Estimated at 5% or Less of Total)	$3,880.00	$11,640.00
3. Software Costs (Development, Testing, Usage)	$24,250.00	$72,750.00
4. Data Hosting	$40,255.00	$120,765.00
5. Other Costs associated with Final Deliverable (Identified by Contractor)	$15,520.00	$46,560.00
6. Custom Programming, Imports, Exports and Reports (Cost Per Hour x 50 Estimated Hours)	$9,700.00	$29,100.00
7. Creation, Maintenance and Enhancement to File Transfer Protocol (FTP) website	$23,280.00	$69,840.00
Total Contract Amount	$177,267.50	$531,802.50
Custom Programming/Imports/Exports/Reports (Cost Per Hour)	$197	TBD

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

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

CHANGE NOTICE NO. 3

to

CONTRACT NO. 071B3200022

Between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
BS & A Software	Tom Szur	tszur@bsasoftware.com
14965 Abbey Lane	**PHONE**	**VENDOR TAX ID # (LAST FOUR DIGITS ONLY)**
Bath, MI 48808	(517) 641-8900	4767

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER	TREA	Kevin VanGieson	(517) 241-4338	vangiesonk@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Brandon Samuel	(517) 284-7025	samuelb@michigan.gov

CONTRACT SUMMARY

DESCRIPTION:
Equalization Data Collection and Reporting Services – Department of Treasury

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
November 1, 2012	December 31, 2015	3, one year	December 31, 2015

PAYMENT TERMS	F.O.B.	SHIPPED TO
Net 45 Days	N/A	N/A

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

MINIMUM DELIVERY REQUIREMENTS
N/A

DESCRIPTION OF CHANGE NOTICE

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

CURRENT VALUE	VALUE/COST OF CHANGE NOTICE	ESTIMATED REVISED AGGREGATE CONTRACT VALUE
$924,150.00	$116,800.00	**$1,040,950.00**

DESCRIPTION:
Effective March 20, 2015:
1. This Contract is hereby INCREASED by $116,000.00.
2. The following items are hereby ADDED to this Contract per the attached STATEMENT OF WORK.

Please note that the Contract Administrator has been changed to Brandon Samuel.
All other terms, conditions, specifications and pricing remain the same. Per vendor and agency agreement, and DTMB Procurement approval.

The following Statement of Work is hereby added to the Contract. These sections do not replace or modify any of the work and deliverables currently provided for in the Contract.

1.011 Project Request

This is a statement of work for 2015 Personal Property Statement – Form 632 (PPS) Data Collection and Reporting Services (Services) in an electronic format acceptable for use with the Personal Property Statement reporting process for the Michigan Department of Treasury. The Data Collection and Reporting Services include compilation, input, output, and analysis of personal property data currently submitted via Michigan Department of Treasury Form 632.

The Services provided through this amendment shall commence on March 20, 2015, through December 31, 2015. The period of March 20, 2015, through May 31, 2015 will be for implementation and transition for the Contractor. No payments will be made to the Contractor for the implementation and transition period. The Contractor must begin providing all Services, without interruption, before June 1, 2015.

1.012 Background

Beginning December 31, 2015 (for the 2016 assessment year) and each year thereafter, MCL 211.9m and MCL 211.9n provide that Qualified New Personal Property and Qualified Previously Existing Personal Property for which an exemption has been properly claimed is exempt from the collection of taxes under the General Property Tax Act, Public Act 206 of 1893. MCL 211.19(9) requires that: (9) A statement under subsection (2) for 2015 shall include a schedule of when any personal property included in the statement will become eligible for exemption under section 9m or 9n. For 2015 statements under subsection (2) that identify property eligible for exemption under section 9m or 9n, a supervisor or assessor shall provide to the Michigan Department of Treasury by June 1, 2015 a copy of the statement, or the information on the statement, as prescribed by the department of treasury. The department of treasury's use of a statement, or information on a statement, provided under this subsection is subject to section 28(1)(f) of 1941 PA 122, MCL 205.28.

1.020 Scope of Work and Deliverables

1.021 In Scope

The Contractor must develop an electronic File Transfer Protocol (FTP) system to collect and store data currently provided on Form 632 and Form 5201. The Contractor will provide the fields in its Equalizer Assessing System to allow entry of information from Form 632 and Form 5201, as needed and determined by the Contract Compliance Inspector (CCI). The FTP system will be used as a conduit to hold Equalizer Assessing data from local units to be transferred to Contractor and then to Treasury at a later date.

The Contractor's Equalizer Assessing software will allow for the creation of custom queries and ad hoc reports of the data from Form 632 and Form 5201. Treasury will use the Equalizer Assessing software to print reports based on the data received.

1.022 Work and Deliverable

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

The Contractor must develop an electronic FTP system to collect and store data received from local units of government to be used with the Equalizer Assessing system. This data will include information provided on Form 632 and if the "Part" box is checked on line one in the Summary and Certification section on Form 632, then additional information from Treasury Form 5201.

A. Electronic FTP System General Requirements

1. The Contractor's System must:
   a. Allow the ability for each local unit of government to transmit Equalizer Assessing system personal property databases in an electronic format which includes information from individual taxpayer Forms 632 and Forms 5201. The FTP website will then organize the databases by each county.
   b. Allow each County's Equalization Department (CED) to electronically monitor submissions from each local unit of government with password protected logins.
   c. Create 83 county databases and one master statewide database that are organized by each county's data submission. Individual parcels must be prefix numbered in such a way to uniquely identify the origin of the county and local unit of government from which the parcel data was received in addition to the current parcel number used by each local unit of government. The Department of Treasury is

aware there is a possibility of a variance in assessed and taxable values due to individual local unit rounding and formatting issues.

d. Allow Treasury staff to view, query, and create reports (both printed and spreadsheet exports) from all databases.

e. Have the ability to provide additional special reports, queries, corrections, and updates in a format specified by Contract Compliance Inspector (CCI).

f. Have the ability to review the databases and create reports by Treasury staff.

1. A limited number of Treasury staff, identified by the (CCI) must have read and write access to all data and reports.

2. County users must have read-only access to monitor initial submission of data and verify submissions from local units of government.

g. Have the ability to accommodate future changes such as changes in the number of local units and changes in statute or report requirements. Changes must be requested in writing by the CCI and must be charged at the per hour rate identified in this amendment

h. Require identification of individual users and authentication of data submitted on behalf of each county.

i. All contractor complied county and statewide databases will remain on FTP system/servers until the CCI identifies in writing that the data can be removed from the system.

j. Provide all data and reports in Contractor's SQL data format. There must be no additional software or hardware requirement to access the data and reports. Any data submitted by local units of government in the Pervasive format must be converted by Contractor to the current DOT.NET version.

2. The Contractor must:

a. Work with the Department to provide the ability to export data from 83 county databases and one master statewide database into the State system as required.

b. Allow Treasury staff to view, query, and report information from all databases after transferred to the State system.

c. Have the ability to provide additional special reports, queries, corrections, and updates in a format specified by Contract Compliance Inspector (CCI) after transferred to the State system.

3. The Contractor must:

a. Provide telephone support from 8:00 a.m. to 5:00 p.m. Eastern Standard Time (EST) Monday through Friday (excluding observed State Holidays) and must respond to concerns within twenty-four hours.

b. Comply with all Treasury security requirements.

c. Ensure any modifications to the FTP system are transparent to users.

d. Provide all system upgrades to Treasury Staff, at no additional cost, during the term of the Contract.

e. Provide a disaster recovery and business continuity plan.

f. Agree to work with transitioning to a new Contractor at the expiration/termination of this Contract, if applicable.

B. System Requirements for File Transfer Protocol (FTP) System

1. The Contractor's System must:

a. Have the ability to access a secure File Transfer Protocol (FTP) system that complies with the State of Michigan, DTMB policy 1315.10 and defines transport of sensitive data (see Section 2.271).

b. Have appropriate hard disk space necessary for easy exchanging and storage of data.

c. Allow Treasury Staff the ability to access all data on the FTP system. This includes uploading, downloading and deleting data with administrator rights.

d. Allow local units of government to transmit Form 632 and form 5201 information with no password needed.

2. The Contractor must:

a. Provide instructions, as approved by the CCI, on how to load and transfer data for local units and counties.

b. Provide a file folder or a type of icon per county for sharing and depositing data to make it clear and easy for finding information.

c. Provide all system upgrades to Treasury Staff, at no additional cost, during the term of the Contract.

d. Agree to work on transitioning to a new Contractor at the expiration/termination of this Contract, if applicable.

C. General Process Requirements:

1. The Contractor must:

a. Capture the data submitted by the local units of government and 83 CEDs from Form 632 and form 5201. The Contractor must provide the fields necessary to capture this information and populate all fields of Form 632 and form 5201 that were entered by the local units of government.
b. Have the ability to modify queries and reports as requested by the CCI within two weeks of written notice.

2. Reports developed for each process must:
   a. Contain the same data fields and format as the current year Form 632 and Form 5201.
   b. Have the ability to be printed to letter size paper using Adobe Acrobat 6.0 or higher.
   c. Be formatted to enable printing of the entire report by county, local unit of government, and individual tax reporting entity.

D. Forms 632 and 5201 Process Requirements:
1. The Contractor must:
   a. Allow Treasury to receive an electronic format of Form 632 and Form 5201 from each of the 83 counties, data for the 1242 townships and approximately 289 cities which includes all classifications of personal property reported on Form 632 and Form 5201 on February 20, 2015. The Contractor must allow for Form 632 and Form 5201 to be manually entered as needed and determined by the CCI.
   b. Include the following data in the reports:
      1. Statewide totals for assessed and true cash values for each classification of personal property.
      2. Totals by county for each classification of personal property.
      3. Totals by each local unit by classification of personal property.
      4. Any other reports and data extracts as required by Treasury.

1.030 Roles and Responsibilities

1.031 Contractor Staff, Roles, and Responsibilities

1. The Contractor must:
   a. Carry out this project under the direction and control of the CCI.
   b. Provide a Project Manager to act as a central point of contact for all Contractual activities.
      a. The Contractor's Project Manager must meet with the CCI bi-weekly at a minimum, or as requested by the CCI for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise, although there will be continuous liaison with the Contractor team.
      b. Attend State meetings and conference calls with Treasury personnel as needed and determined by the CCI. The Contractor must respond to phone calls and email requests from CCI within one business day.

BS&A Software Staff	Assessor Level	Role
Scott Gross		Project Manager
Dan Bengel	MAAO (3)	Assessing Technical Support Team/Project Manager back-up
Scott Gross	MAAO (3)	Assessing Technical Support Team
Tom Schafer	MAAO (3)	Assessing Technical Support Team
Jason Kohagen	MCAO (2)	Assessing Technical Support Team

1.040 Project Plan

1.041 Project Plan Management

1. Within five working days of execution of the Change Notice, the Contractor must submit a project plan to the CCI for final approval. This final project plan must be in agreement with proposal submitted by the Contractor and accepted by the State, and must include the following:
   a. The Contractor's project organizational structure.
   b. The Contractor's staffing table with names and title of personnel assigned to the project. This must be in agreement with staffing of accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the State.

c. The project breakdown showing sub-projects, activities and tasks, and resources required and allocated to each.

2. Calendar of Events (for future use)

1.042 Reports

1. The Contractor must submit brief written monthly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which must be brought to the attention of the client Agency's Project Director; and notification of any significant deviation from previously agreed-upon work plans.

2. The Contractor must provide all other reports as specified in Section 1.022 Work and Deliverable.

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:

Acceptance of the Services and/or Deliverables provided under this SOW will be determined by completion of deliverables by the calendar/timeline identified in this SOW.

1.060 Contract Pricing

1.061 Contract Pricing

1. For authorized Services and Price List for the services outlined in this Statement of Work, please see the tables below.

2. Contractor's out-of-pocket expenses are not separately reimbursable by the State or local unit of government 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/dtmb** for current rates.

3. Invoicing and payment must occur per section 2.044.d.

Eligible Manufacturing Personal Property (EMPP) data gathering project

1) Software and data customizations

- Creation of 83 password protected FTP sites for local unit databases in .NET and Pervasive
- Creation of State specific password protected FTP site to store 83 county wide databases created by BSA team
- Creation of new process to manage the export, merge, and transfer of personal property parcels to appropriate county FTP site within Pervasive Assessing system.
- Creation of new process to manage the export, merge, and transfer of personal property parcels to appropriate county FTP site within .NET Assessing system.
- Creation of separate documentation to explain to end users the step by step process to accomplish the sending of data to appropriate FTP site.

Cost - $17,500

2) Scope of Work for standardization, conversion, and creation of county databases to pass on to the State Tax Commission

An average of 30 minutes for each local unit (Total BSA Assessing customers 1586) to accomplish the following:

- Retrieve personal property data from appropriate County FTP site.
- Verify that the correct data for each local unit was sent to the appropriate County FTP site.

- Modify the parcel number format so the appropriate county number is prefixed to each parcel number. Verify that the local unit prefix is already applied appropriately.
- For each Pervasive database local unit, convert the pervasive database to our .NET version. Verify that the Pervasive database was successfully converted to the NET version.
- Export, merge, and combine the appropriate parcels for each unit into a master County database.
- Work with County Officials to manage the transfer of local unit data to appropriate county FTP site.

Cost – $79,300 *(1586 databases * 30 minutes each at $100/hr.)*

3) Reserved Bank of Hours – Funding for Additional Hourly Services

- In addition to the funding for the fixed price components above, this Amendment also includes additional funding for time and materials services that are related, but above and beyond the activities described above.

Total Cost Summary

	Deliverable Description	**Cost**
1	Software and data customizations	$17,500
2	Scope of Work for standardization, conversion, and creation of county databases to pass on to the State Tax Commission	$79,300
3	Reserved Bank of Hours Funding for Additional hourly services (not included in total above) based on $100/hr rate	$20,000
	TOTAL FOR CN# 3	**$116,800**

1.062 Price Term

Prices quoted are firm for the entire length of the Contract.

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

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

CHANGE NOTICE NO. 2

to

CONTRACT NO. 071B3200022

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
BS & A Software	Tom Szur	tszur@bsasoftware.com
14965 Abbey Lane	TELEPHONE	CONTRACTOR #, MAIL CODE
Bath, MI 48808	(517) 641-8900	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	TREA	Kevin VanGieson	(517) 241-4338	vangiesonk@michigan.gov
BUYER	DTMB	Mary Ostrowski	(517) 284-7021	ostrowskim@michigan.gov

CONTRACT SUMMARY:			
Equalization Data Collection and Reporting Services – Department of Treasury			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
November 1, 2012	December 31, 2015	3, one year	December 31, 2015
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45 Days	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
☐ P-card ☐ Direct Voucher (DV) ☐ Other			☐ Yes ☒ No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
☒ No ☐ Yes	☐	☐		
VALUE/COST OF CHANGE NOTICE:		ESTIMATED REVISED AGGREGATE CONTRACT VALUE:		
$0.00		$924,150.00		

Effective October 24, 2014, the Contractor's Primary Contact has been changed to Tom Szur.

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

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

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

CHANGE NOTICE NO. 1

to

CONTRACT NO. 071B3200022

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
BS & A Software	Ted Droste	tdroste@bsasoftware.com
14965 Abbey Lane	TELEPHONE	CONTRACTOR #, MAIL CODE
Bath, MI 48808	(517) 641-8900	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	TREA	Kevin VanGieson	(517) 241-4338	vangiesonk@michigan.gov
BUYER	DTMB	Mary Ostrowski	(517) 284-7021	ostrowskim@michigan.gov

CONTRACT SUMMARY:			
Equalization Data Collection and Reporting Services – Department of Treasury			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
November 1, 2012	December 31, 2015	3, one year	December 31, 2015
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45 Days	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
☐ P-card ☐ Direct Voucher (DV) ☐ Other			☐ Yes ☒ No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
☒ No ☐ Yes	☐	☐	N/A	December 31, 2015
VALUE/COST OF CHANGE NOTICE:		ESTIMATED REVISED AGGREGATE CONTRACT VALUE:		
$375,900.00		$924,150.00		

Funds in the amount of $375,900.00 and Contract changes per the two ADDENDUMS attached must be incorporated into this Contract. All other terms, conditions, specifications and pricing remain unchanged. Per vendor and agency agreement, DTMB Procurement approval and the approval of the State Administrative Board on February 25, 2014.

ADDENDUM 1

Change to original Contract

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:

Acceptance of the Services and/or Deliverables provided under this SOW will be determined by completion of deliverables by the calendar/timeline in Section 1.022.A-G and 1.041.2.a-g.

ADDENDUM 2

Statement of Work (SOW) for Equalization Data Collection and Reporting Services State Average Tax Rate (SATR) for the Department of Treasury

1.010 Project Identification

1.011 Project Request

This Statement of Work (SOW) amends the contract for Equalization Data Collection and Reporting Services to include State Average Tax Rate (SATR) Reporting Service.
All other terms/conditions of the Contract will remain unchanged.

1.012 Background

The property assessment service is the basis for the collection of over 11 billion dollars in property taxes annually. Currently, most information is supplied to the Assessment and Certification Division (ACD) by the local units and county equalization departments on electronic forms, and reports are produced to provide required summary reports.

The State Average Tax Rate (SATR) is levied against State Assessed Property and generates 50-60 million dollars in tax revenue for the State of Michigan. The data collected through the SATR process allows for calculation of property tax rates utilized in other State programs; the Neighborhood Enterprise Zone Act, P.A. 147 of 1992, the Commercial Forest Program, P.A. 451 of 1994, and in calculating property tax payments made by the State to local governmental units for specific State owned property.

If the present service fails, the process of establishing the SATR, mandated by P.A. 282 of 1905, would be in jeopardy since there is not sufficient ACD staff with an understanding of the complex in-house computer program. The risk is that the ACD would be unable to establish the SATR to fulfill statutory obligations.

A web-based SATR service can electronically receive and process all necessary data and utilize existing data submitted for the State Equalization process permitting the calculation of the SATR and other property tax rates utilized by State programs.

Data produced from forms 4626 and 1020 (L-4402) is also used by many others, including the Treasury Office of Revenue & Tax Analysis Division, Legislators, local governmental units, researchers, other states, and many individuals. There would be a profound negative public perception if a service failure caused these reports to be unavailable.

1.020 Scope of Work and Deliverables

1.021 In Scope

The Contractor will be responsible for developing an electronic web-based State Average Tax Rate (SATR) Reporting Service to collect, store, calculate and report; millage, estimated tax levies and special assessment data currently provided on form 1020, form 600, and tax bills submitted to the State for DNR PILT properties.

1.022 Work and Deliverable

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. Electronic Web-based State Average Tax Rate (SATR) Reporting Service

1. The Contractor must provide the ability to utilize taxable value data entered for equalization purposes for townships and cities, by class.

2. The Contractor must provide the ability of County Equalization Directors and/or township and city assessors to enter or import taxable value data, by class and by exemption type within each class, for each township and city as follows:

   a. All school districts within a township or city
   b. All incorporated villages within a township
   c. All authorities levying millage within a township or city, not on a unit-wide basis.

3. The Contractor must allow the ability of County Equalization Directors to enter property tax millage rate data and special assessment millage rate data in an online electronic format.

4. The Contractor must have the ability to accommodate a variable number of millage rate entries associated with any specific taxing authority.

5. The Contractor must have the ability to identify for each millage rate entered as follows:

   a. Requesting tax authority
   b. State assigned tax authority ID and/or code
   c. State assigned tax authority type code
   d. Purpose of millage
   e. State assigned purpose code
   f. Type of millage (operating, debt, special assessment, etc.)
   g. Comment/Note field for each millage rate

6. The Contractor must have the ability to enter and maintain any special rules regarding how the millage is levied within a specific jurisdiction.

7. The Contractor must allow the ability of local township, city and village staff to enter special assessments billed to DNR PILT parcels.

8. The Contractor must have the ability to provide data and reports on-line for ACD to make necessary changes during review.

   a. The Contractors must provide a limited number of ACD staff, identified by CCI read and write access to data and reports as found in Section 1.022.A.f.1 of contract.

   b. The Contractor must provide county users write access for initial submission of data and read-only access to data after initial submission as found in Section 1.022.A.1.f.2 of Contract.
   c. By December 15th the Contractor must provide townships, city and village users read-only access to data after initial submission.

9. The Contractor must have the ability to sum all applicable millage rates within a specific jurisdiction or area.

10. The Contractor must have the ability to calculate estimated tax levies based on taxable value and millage rate data entered, including the application of any special rules that may apply as to how the millage is levied.

11. The Contractor must have the ability to calculate the SATR Rate (to be levied on State Assessed Property), based on the total estimated tax levies throughout the entire state for commercial, industrial and utility classes of property. The State Average Tax Rate is statutorily required to be produced annually, no later than May 15.

12. The Contractor must have the ability to calculate statewide average rates for use by the following:

    a. Neighborhood Enterprise Zone PILT
    b. Commercial Forest PILT
    c. Treasurer's Annual Report
    d. Other rates as needed

13. The Contractor must have the ability to provide the following reports, exports and publications online:

    a. Summary report of data utilized in the calculation of, and the resulting SATR rate (to be levied on State Assessed Property) by a preferred date of April 1

    b. Summary report of data utilized in the calculation of, and the resulting Neighborhood Enterprise Zone rate

    c. Summary report of data utilized in the calculation of, and the resulting Commercial Forest rate

    d. Summary report of data utilized in the calculation of, and the resulting average Homestead and Non-Homestead rates for the Treasurer's Annual Report

    e. Export of all millage rates and special assessments specific to DNR PILT parcels

    f. Publication 625, Ad Valorem Property Tax Report

    g. Publication 2825, Commercial, Industrial and Utility Property Tax Report

    h. Total Property Tax Rates Report

    i. Millage Rate Detail Reports including the following:

        1) Listing all millage levied in a selected county, township, city or village
        2) All millage levied in all jurisdictions for a selected purpose
        3) All millage levied throughout the entire state, organized by county, township, city, village, school district

14. The Contractor must allow for corrections and maintenance online to the millage rates, taxable value and special assessment data by ACD staff.

15. Deliverables must be completed, tested and accepted by **<u>December 31, 2015.</u>**

B. General SATR Service and Security Requirements:

1. The Contractor SATR service must comply will all Work and Deliverables identified in Section 1.022A g through j of Contract.
   Sections g through j of the original Contract states:

   g. Have 99% availability 24 hours per day, seven days per week.

      1. The Contractor must notify the CCI 24 hours prior to any scheduled down time.

      2. The Contractor must provide a standard maintenance schedule.

h. Have the ability to accommodate future changes such as changes in the number of local units and changes in statute or report requirements. Changes must be requested in writing by the CCI and must be charged at the per hour rate identified in the pricing page (Attachment A).

i. Require identification of individual users and authentication of data submitted on behalf of the county.

1. The system must allow only two users per county to submit and view data.

2. The system must include control mechanisms in place to maintain integrity of data during transmission and storage.

j. Retain data and reports for a minimum of three years. The CCI will identify, in writing, data to be removed from the System.

2. The Contractor must comply with all security requirements in Exhibit 1 of Contract

1.040 Project Plan

1.041 Project Plan Management

A. Within five working days of Contract Change Notice issuance, the Contractor must submit to the Contract Compliance Inspector or designee for final approval a detailed project plan. This final project plan must be mutually agreed with the CCI and must include the following:

a. The Contractor's project organizational structure.

b. The Contractor's staffing table with names and title of personnel assigned to the project. This must be in agreement with staffing of accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the State.

c. The project breakdown showing sub-projects, activities and tasks, and resources required and allocated to each.

1.042 Reports

A. The Contractor must submit brief written monthly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated which must be brought to the attention of the CCI and notification of any significant deviation from previously agreed-upon work plans.

1.060 Proposal Pricing

1.061 Proposal Pricing

4. For authorized Services and Price List, see Attachment B (SATR), Pricing.

5. Contractor’s out-of-pocket expenses are not separately reimbursable by the State or local unit of government 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/dtmb** for current rates.

6. Invoicing and payment must occur per section 2.044.d of Contract.

Attachment B State Average Tax Rate (SATR), Pricing

Deliverable	Year 1 (2014)	Year 2 (2015)
1. Electronic Collection Process for Each County (Total Counties x Cost Per County	$ 0 (Year 1 is predominantly for the modification, system stress-testing, and quality assurance testing of Software.	$166,000 (83 x $2,000/County) Included in this amount is the annual maintenance including, system testing, system quality assurance review for both software and infrastructure, technical support to the end-user, new report assistance, hosting of data in secure environment within our server farm, troubleshooting any issues, all work associated with taking the system "live," attending meetings with State and County staff to explain the process, and preparing documentation as requested.
2. SATR Annual Updates ((Total Hours x Hourly Fee)	$179,500 • Development: 800 hours x $190/hour • Test/Design 275 hours x $100/hour	$30,400 160 hours x $190/hour
Total Amount	$179,500	$196,400

To Summarize:

Year 1 - The system development cost in year 1 is $179,500
Year 2 – The on-going maintenance cost is $166,000 and additional modifications at $30,400 = $196,400 – if subsequent years are added to the contract, the fee would be reduced since it is expected the development would be complete, and we would simply be 'maintaining' the system.

Note: on-going maintenance is inclusive of all web-based infrastructure [hardware], maintaining a fiber line, all implementation, and user support services.

Form No. DTMB-3522 (Rev. 4/2012)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

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

October 31, 2012

CONTRACT NO. 071B3200022
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
BS & A Software	**Ted Droste**	**tdroste@bsasoftware.com**
14965 Abbey Lane	TELEPHONE	CONTRACTOR #, MAIL CODE
Bath, MI 48808	**(517) 641-8900**	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	**TREA**	**Kevin VanGieson**	**(517) 241-4338**	**vangiesonk@michigan.gov**
BUYER:	**DTMB**	**Mary Ostrowski**	**(517) 373-6327**	**ostrowskim@michigan.gov**

CONTRACT SUMMARY:

DESCRIPTION: **Equalization Data Collection and Reporting Services**

INITIAL TERM	EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS
3 Yrs., 2 Months	**November 1, 2012**	**December 31, 2015**	**3, 1 Year Options**
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45 Days	**Destination**	**N/A**	**N/A**

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

MINIMUM DELIVERY REQUIREMENTS:

N/A

MISCELLANEOUS INFORMATION:

The terms and conditions of this Contract are those of solicitation # 071I2200060A and this Contract Agreement. In the event of any conflicts between the specifications, and terms and conditions, indicated by the State and those indicated by the vendor, those of the State take precedence.

ESTIMATED CONTRACT VALUE AT TIME OF EXECUTION:	**$548,250.00**

Form No. DTMB-3522 (Rev. 4/2012)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

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

CONTRACT NO. 071B3200022
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
BS & A Software	**Ted Droste**	**tdroste@bsasoftware.com**
14965 Abbey Lane	TELEPHONE	CONTRACTOR #, MAIL CODE
Bath, MI 48808	**(517) 641-8900**	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	**TREA**	**Kevin VanGieson**	**(517) 241-4338**	**vangiesonk@michigan.gov**
BUYER:	**DTMB**	**Mary Ostrowski**	**(517) 373-6327**	**ostrowskim@michigan.gov**

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PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45 Days	**Destination**	**N/A**	**N/A**
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
☐ P-card ☐ Direct Voucher (DV) ☐ Other			☐ YES ☒ NO
MINIMUM DELIVERY REQUIREMENTS:			
N/A			
MISCELLANEOUS INFORMATION:			
The terms and conditions of this Contract are those of solicitation # 071I2200060A and this Contract Agreement. In the event of any conflicts between the specifications, and terms and conditions, indicated by the State and those indicated by the vendor, those of the State take precedence.			
ESTIMATED CONTRACT VALUE AT TIME OF EXECUTION:			**$548,250.00**

THIS IS NOT AN ORDER: This Contract Agreement is awarded on the basis of our inquiry bearing the solicitation #071I2200060A. Orders for delivery will be issued directly by the Department of Treasury through the issuance of a Purchase Order Form.

FOR THE CONTRACTOR:	FOR THE STATE:
BS & A Software	
Firm Name	Signature
	Kevin Dunn, Services Director
Authorized Agent Signature	Name/Title
	DTMB Procurement
Authorized Agent (Print or Type)	Enter Name of Agency
Date	Date

STATE OF MICHIGAN
Department of Technology Management and Budget
DTMB-Procurement

Contract No. 071B3200022
Equalization Data Collection and Reporting Services

Buyer Name: Mary Ostrowski
Telephone Number: (517) 373-6327
E-Mail Address: ostrowskim@michigan.gov

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DEFINITIONS

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 within the scope of the Contract, but not specifically provided under any Statement of Work.

Audit Period means the seven year period following Contractor's provision of any work under the Contract.

Bidder(s) are those companies that submit a proposal in response to this Contract or a future RFP.

Business Day means any day other than a Saturday, Sunday or State-recognized legal holiday from 8:00am EST through 5:00pm EST unless otherwise stated.

Blanket Purchase Order is an alternate term for Contract and is used in the Plan Sponsors' computer system.

CCI means Contract Compliance Inspector.

Days mean calendar days unless otherwise specified.

Deleted – 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 services required or identified in a Statement of Work.

DTMB means the Michigan Department of Technology 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.

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

Incident means any interruption in any function performed for the benefit of a Plan Sponsor.

Key Personnel means any personnel identified in **Section 1.031** as Key Personnel.

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

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

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

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

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

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

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

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

SLA means Service Level Agreement.

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 selected by the Contractor to perform a portion of the Services, 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.

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 the Contract.

Article 1 – Statement of Work (SOW)

1.010 Project Identification

1.011 Project Request
This is a Contract for State Equalization Data Collection and Reporting Services in an electronic format acceptable for use with the State Equalization process for the Michigan Department of Treasury. The Data Collection and Reporting Services include compilation, input, output, and analysis of assessment and equalization data currently submitted via State Tax Commission forms 608 (L-4024), 2163 (L-4023) and 2795 (L-4046) (see Exhibits 1 through 3).

The Contract is effective November 1, 2012, through December 31, 2015. The period of November 1, 2012, through December 31, 2012, will be for implementation and transition for the Contractor. No payments will be made to the Contractor for the implementation and transition period. The Contractor must begin providing all Services, without interruption, on January 1, 2013.

1.012 Background
The property assessment system is the basis for the collection of over 11 billion dollars in property taxes annually. Currently, most information is supplied to the Assessment and Certification Division (ACD) by the local units and county equalization departments on electronic forms, and reports are produced to provide required summary reports.

If the present system fails, the process of State Equalization, mandated by Public Act (P.A.) 44 of 1911, would be in jeopardy since there is not sufficient ACD staff and no specific, in-house computer program to process the equalization data as required. The risk is that the ACD would be unable to perform the minimum tasks necessary to fulfill statutory obligations and other requirements under State Tax Commission rules 42 and 43 regarding supervision of county equalization and completion of State Equalization.

A web-based electronic system that can electronically receive and process all necessary data would permit the completion of reports of county equalization prior to the completion of State Equalization on the fourth Monday in May. The data produced from forms 608 (L-4024), 2163 (L-4023) and 2795 (L-4046) is also used by many others, including the Treasury Office of Revenue & Tax Analysis Division, the Department of Education, Legislators, researchers, other states, and many individuals. There would be a profound negative public perception if a system failure caused these reports to be unavailable.

The web-based electronic system will reduce duplication of data entry by both local units and Treasury by: 1. Extracting data directly from equalization software currently being used by local units or 2. Local units electronically entering data into the Contractor's database using a web-based system. Local units currently use equalization software provided by private companies which may include, but is not limited to: BS&A Software, Manatron, Accucomp, and Resource Software.

1.020 Scope of Work and Deliverables

1.021 In Scope
The Contractor must develop an electronic web-based system to collect, store and report assessment data currently provided on forms 608, 2163 and 2795. The Contractor must enter information into the system on behalf of a small percentage of counties, as needed and determined by the Contract Compliance Inspector (CCI).

The Contractor must provide annual reports (paper and CD) for the L-4023, L-4024, and L-4046 processes by required dates (see Section 1.022.D - F).

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:

The Contractor must develop an electronic web-based system to collect, store and report assessment data currently provided on forms 608, 2163, and 2795.

A. Electronic Web-based System General Requirements

1. The Contractor's System must:
   a. Allow the ability of County Equalization Directors to enter equalization data in an electronic format.
   b. Allow corrections and maintenance to report data by ACD staff between the second Monday in May, which is preliminary equalization, and the fourth Monday in May, which is final equalization.
   c. Have the ability to provide equalization reports for use in compiling the following by the first Monday in May each year:
      1. Assessed Valuation
      2. State Equalized Valuation
      3. Assessment Level
      4. Recap of L-4023(2168)
   d. Have the ability to provide equalization reports for use in compiling the following, by the fourth Monday in May, each year:
      - State Equalized Values (SEV) Multiplier (Factor) for Separately Equalized Classifications.
   e. Have the ability to provide equalization reports for use in compiling the following, by the fourth Monday in June, each year:
      - Taxable Valuations.

      * If a Monday falls on a holiday, reports will be due the next business day. Statutory due dates are contained in the property tax calendar located at http://www.michigan.gov/documents/treasury/Bulletin10of2011_367616_7.pdf
   f. Have the ability to provide data and reports on-line for ACD to make necessary changes during review.
      3. A limited number of ACD staff, identified by the (CCI) must have read and write access to data and reports.
      4. County users must have write access for initial submission of data and read-only access to data after initial submission.
   g. Have 99% availability 24 hours per day, seven days per week.
      3. The Contractor must notify the CCI 24 hours prior to any scheduled down time.
      4. The Contractor must provide a standard maintenance schedule.
   h. Have the ability to accommodate future changes such as changes in the number of local units and changes in statute or report requirements. Changes must be requested in writing by the CCI and must be charged at the per hour rate identified in the pricing page (Attachment A).
   i. Require identification of individual users and authentication of data submitted on behalf of the county.
      3. The system must allow only two users per county to submit and view data.
      4. The system must include control mechanisms in place to maintain integrity of data during transmission and storage.
   j. Retain data and reports for a minimum of three years. The CCI will identify, in writing, data to be removed from the System.
   k. Provide all data and reports via a web browser, Microsoft Internet Explorer version 6.0 or later. There must be no additional software or hardware required to access the data and reports.
   l. Have a response time with minimal delay for the end-user. "Minimal delay" is to be defined as meeting the following requirement: Data must populate within 10 seconds, and reports must populate within one minute.

2. The Contractor must:
   a. Provide telephone support from 8:00 a.m. to 5:00 p.m. Eastern Standard Time (EST) Monday through Friday (excluding observed State Holidays) and must respond to concerns within two business days.
   b. Comply with the security requirements in Exhibit 1.
   c. Ensure any modifications to the reporting system are transparent to users and not require any updates on computers.
   d. Provide all data entry, maintenance, back-up and recovery of the web-based system.
   e. Provide all system upgrades to ACD Staff, at no additional cost, during the term of the Contract.
   f. Back up the data a minimum of one time per week (daily update preferred).

g. Provide a disaster recovery and business continuity plan.
i. Agree to work on transitioning to a new Contractor at the expiration/termination of this Contract, if applicable (see Section 2.171).
j. Notify the CCI seven days in advance of any scheduled downtime. All system outages/shutdowns must be reported immediately to the CCI or State's designee. Within 24 hours of problem resolution and restart, the Contractor must prepare and submit a report to the CCI or State's designee indicating elapsed downtime hours, start/end timeframes, reason for the outage, impact on the systems (lost data, etc.) for each occurrence and resolution to mitigate future occurrences.

B. System Requirements for File Transfer Protocol (FTP) Website

1. The Contractor's System must:
   a. Have the ability to access a secure File Transfer Protocol website for data sharing that complies with the State of Michigan, DTMB policy 1315.10 and defines transport of sensitive data (see Section 2.271).
   b. Have a minimum of two to four Gigabytes (GB) of hard disk space for easily exchanging data.
   c. Allow ACD and State Tax Commission (STC) Field Staff the ability to access all data on the FTP site. This includes uploading, downloading and deleting data (administrator rights).
   d. Allow local units and counties the ability to load information with no password needed.
   e. Have a history log to determine who downloaded, deleted or uploaded data. This history log must be tracked by user log in name.
   f. Have an auto-delete function. Data must be auto deleted after 30 days. A warning notice must be sent to the CCI 30 days before data deletion.

2. The Contractor must:
   a. Provide Microsoft Power Point or web instructions on how to load and transfer data for local units and counties.
   b. Provide a file folder or a type of icon per county for sharing and depositing data to make it clear and easy information for finding information.
   c. Provide all system upgrades to ACD Staff, at no additional cost, during the term of the Contract.
   d. Agree to work on transitioning to a new Contractor at the expiration/termination of this Contract, if applicable (see section 2.171).

C. General Process Requirements:

1. The Contractor must:
   a. Capture the data submitted by the counties for the following three processes (see Section 1.022.D- F). The Contractor must capture this information electronically to populate the reports for viewing on the State website as well as submit, to ACD, a CD containing reports for reference.
   b. Have the ability to modify reports, as requested by the CCI, within one week of written notice.
   c. Have a process for changes to report data fields and format.

2. Reports developed for each process must:
   a. Contain the same data fields and format as current reports (current reports are available at website links provided for each process, below).
   b. Have the ability to be printed to letter size paper using Adobe Acrobat 6.0 or higher.
   c. Be formatted to enable printing of the entire report (State totals), the county report (1-83), and the local unit report (1530 units).

D. L-4023 Process Requirements:

1. The Contractor must:
   a. Receive L-4023's (form 2164, Exhibit 1) in an electronic format from the county equalization director of each of the 83 counties, that summarizes the data for the 1242 townships and approximately 289 cities which includes six classifications of real property and five classifications of personal property beginning the month of April and due no later than the third Monday in April. The Contractor must enter data manually, as needed and determined by the CCI. Treasury estimates approximately five percent of county data may need to be entered manually.

b. Include the following data in the Reports:
   5. State of Michigan Totals for assessed and true cash values for each classification of real and personal property.
   6. Each county for each classification of real and personal property.
   7. Each local unit by classification of real and personal property.
   8. The beginning and ending parcel count, percent ratio and remarks.

E. L-4024 Process Requirements:
1. The Contractor must:
   a. Receive L-4024's (form 608, Exhibit 2) in an electronic format from the county equalization director of each of the 83 counties that summarizes the data which includes assessed and equalized valuations for each local unit by six classifications of real property beginning the month of April and due no later than the first Monday in May. Also, there is a totals page which includes number of acres, real property, personal property and real and personal property for each local unit. The Contractor must enter data manually, as needed and determined by the CCI. Treasury estimates data provided by five percent of counties may need to be entered manually.
   b. Include the following data in the Reports:
      1. State of Michigan Totals for assessed and equalized valuations for each classification of real property and personal property (one class).
      2. State equalized multiplier, assessed and equalized valuation and ratio for the six classifications of real property and personal property (one class) for each local unit.

F. L-4046 Process Requirements:
1. The Contractor must:
   a. Receive L-4046's (form 2795, Exhibit 3) in an electronic format from the county equalization director of each of the 83 counties, that summarizes the data which includes taxable valuations for each local unit by six classifications of real property beginning the month of May and due no later than the fourth Monday in June. Also, there is a totals page which includes personal property, total real and personal property, homestead and qualified agricultural and non-homestead and non-qualified agricultural for each local unit. The Contractor must enter data manually, as needed and determined by the CCI. Treasury estimates data provided by five percent of counties that may need to be entered manually.
   b. Include the following data in the Reports:
      1. State of Michigan Totals for taxable valuations for each classification of real property and personal property (one class).
      2. Homestead/non-homestead and qualified agricultural/non-qualified agricultural for each local unit.

G. Additional Required Reports:
1. The Contractor must:
   a. Provide a summary of the SEV by county and by local unit must be provided to determine the proper level of assessor certification.
   b. Retrieve and process aggregate taxation information necessary to determine the State average tax rate as provided by sections 12 and 13 of the P.A. 282 of 1905.
   c. Provide Custom Programming/Imports/Exports/Reports as needed and determined by the CCI. ACD may request additional functionality of the system beyond initial requirements stated in Section 1.022. The Contractor must provide an estimate of additional cost to the CCI. Custom programming must not commence until written approval is provided by the CCI.

H. System Development Requirements – Deleted/N/A

1.030 Roles and Responsibilities

1.031 Contractor Staff, Roles, and Responsibilities
1. The Contractor must:
   a. Carry out this project under the direction and control of the CCI.
   b. Provide a Project Manager to act as a central point of contact for all Contractual activities.

- The Contractor's Project Manager must meet with the CCI monthly, at a minimum, or as requested by the CCI for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise, although there will be continuous liason with the Contractor team.

c. Attend State meetings and conference calls with Treasury personnel as needed and determined by the CCI. The Contractor must respond to phone calls and email requests from CCI within one business day.

BS&A Software Staff	Assessor Level	Role
Ted L. Droste	MMAO (4)	Project Manager
Dan Bengel	MAAO (3)	Assessing Technical Support Team/Project Manager back-up
Scott Gross	MAAO (3)	Assessing Technical Support Team
Tom Schafer	MAAO (3)	Assessing Technical Support Team
Jason Kohagen	MCAO (2)	Assessing Technical Support Team

1.040 Project Plan

1.041 Project Plan Management

1. Within five working days of the Contract start date, the Contractor must submit a project plan to the CCI for final approval. This final project plan must be in agreement with proposal submitted by the Contractor and accepted by the State, and must include the following:
   a. The Contractor's project organizational structure.
   b. The Contractor's staffing table with names and title of personnel assigned to the project. This must be in agreement with staffing of accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the State.
   d. The project breakdown showing sub-projects, activities and tasks, and resources required and allocated to each.

2. Calendar of Activities and Contractor Requirements
   a. **Activity:** Tuesday following second Monday in April: County Board of Commissioners meets in equalization session. MCL 209.5 and 211.34. The equalization director files a tabular statement of the county equalization adopted by the County Board of Commissioners on the STC form L-4024 prescribed and furnished by the STC, immediately after adoption. County equalization must be completed and official report (STC form L-4024) filed with STC prior to May 1 (First Monday in May).

      Requirement: The Contractor must have all data entered in to one database for review and editing by the first Friday in May for review by the ACD staff. The county assessed numbers from the L-4023 will be compared to the County assessed numbers on the L-4024 by the ACD staff. Discrepancies must be resolved by the ACD staff before the second Monday in May.

   b. **Activity:** Third Monday in April: Equalization director files separate STC form L-4023 for each unit in the county with the STC no later than April 18, MCL 211.150, [R 209.41(8)].

      Requirement: The Contractor must have all data entered in to one database for review and editing by the first Monday in May for review by the ACD staff. The county assessed numbers from the L-4023 will be compared to the County assessed numbers on the L-4024 by the ACD staff. Discrepancies need to be resolved by the ACD staff before the second Monday in May.

   c. **Activity:** First Monday in May: Deadline for filing official County Board of Commissioners report of county equalization (L-4024) with STC [R 209.5].

      Requirement: The Contractor must have all data entered in to one database for review and editing by the first Friday in May for review by the ACD staff. The county assessed numbers from the L-4023 will be compared to the county assessed numbers on the L-

4024 by the ACD staff. Discrepancies must be resolved by the ACD staff before the second Monday in May.

d. **Activity:** Second Monday in May: Preliminary SEV recommendations presented by the Assessment and Certification Division staff to the State Tax Commission. MCL 209.2. After adoption the data is submitted by the ACD staff to the County Equalization Directors for verification and given two weeks to report discrepancies.

   Requirement: The Contractor must have all L-4023 & L-4024 reports finalized for the ACD staff to present to the State Tax Commission at the Preliminary Equalization meeting. After adoption, the data is submitted by ACD staff via email to the County Equalization Directors for verification and to report discrepancies before the fourth Monday in May.

e. **Activity:** Fourth Monday in May: State Equalization Proceeding - final State Equalization order is issued by STC. MCL 209.4. After adoption the data is submitted by ACD staff to the required departments and placed on the State of Michigan website.

   Assessed Values for each county by class are verified from the L-4023 & the L-4024 for accuracy.

   Requirement: The Contractor must have all L-4023 & L-4024 reports finalized for the ACD staff to present to the State Tax Commission at the Final Equalization meeting. After adoption, the data is submitted by ACD staff via email to the required departments and placed on the State of Michigan website.

f. **Activity:** Fourth Monday in June: Deadline for equalization directors to file tabulation of final Taxable Valuations with the STC on STC form L-4046. (P.A. 476 of 1996). MCL 211.27d.

   Requirement: The Contractor must have all data entered in to one database for review and editing by the third Friday in June for review by the ACD staff. The tentative report is submitted by ACD staff via email to the County Equalization Directors for verification and to report discrepancies before the second Friday in July. The final report is submitted by ACD staff via email to the required departments and placed on the State of Michigan website.

g. **Activity:** Fourth Monday in June: Deadline for SEV determination for assigning the proper level of assessor certification. [R211.431]

   Requirement: The Contractor must prepare and compile a report from the final SEV determined the fourth Monday in May that indicates the increase/decrease of the assessor certification level by county and by local unit for all of the 83 counties. This process must assure that the assessor of record is at the correct requirement for valuing property.

1.042 Reports

1. The Contractor must submit brief written monthly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which must be brought to the attention of the client Agency's Project Director; and notification of any significant deviation from previously agreed-upon work plans.

2. The Contractor must provide all other reports as specified in Section 1.022 Work and Deliverable.

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:

Acceptance of the Services and/or Deliverables provided under this SOW will be determined by completion of deliverables by the calendar/timeline in Section 1.041.5 and System Development in Section 1.022.D.

1.052 Final Acceptance – Deleted/Not Applicable

1.060 Contract Pricing

1.061 Contract Pricing

7. For authorized Services and Price List, see Attachment A, Price Pricing.
8. Contractor's out-of-pocket expenses are not separately reimbursable by the State or local unit of government 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/dtmb** for current rates.
9. Invoicing and payment must occur per section 2.044.d.

1.062 Price Term

Prices quoted are firm for the entire length of the Contract.

1.063 Tax Excluded from Price

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

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

1.064 Holdback – Deleted/Not Applicable

1.070 Additional Requirements

1.071 Additional Terms and Conditions specific to this Contract – Deleted/Not Applicable

Article 2, Terms and Conditions

2.000 Contract Structure and Term

2.001 Contract Term
The Contract is for a period of three years and two months beginning November 1, 2012 through December 31, 2015. The period of November 1, 2012, through December 31, 2012, will be for implementation and transition for the Contractor. No payments will be made to the Contractor for the implementation and transition period. The Contractor must begin providing all Services, without interruption, on January 1, 2013.

All outstanding Purchase Orders must also expire upon the termination (cancellation for any of the reasons listed in **Section 2.150**) of the Contract, unless otherwise extended under the Contract. Absent an early termination for any reason, Purchase Orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

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

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

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

2.004 Attachments & Exhibits
All Attachments and Exhibits affixed to any and all Statement(s) of Work, or appended to or referencing the Contract, are incorporated in their entirety and form part of the 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 the Contract. All orders are subject to the terms and conditions of the Contract. No additional terms and conditions contained on either a Purchase Order or Blanket Purchase Order apply unless they are also specifically contained in that Purchase Order's or Blanket Purchase Order's accompanying Statement of Work. Exact quantities to be purchased are unknown, however, the Contractor must furnish all such materials and services as may be ordered during the CONTRACT period. Quantities specified, if any, are estimates based on prior purchases, and the State is not obligated to purchase in these or any other quantities.

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

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

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

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

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

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

2.011 No Waiver of Default
If a party fails to insist upon strict adherence to any term of the Contract then the party has not waived the right to later insist upon strict adherence to that term, or any other term, of the Contract.

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

2.020 Contract Administration

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

Mary Ostrowski, Buyer
Procurement
DTMB
Mason Bldg, 2nd Floor
PO Box 30026
Lansing, MI 48909
Email ostrowskim@michigan.gov
Phone (517) 373-6327

2.022 Contract Compliance Inspector
After DTMB-Procurement receives the properly executed Contract, it is anticipated that the Chief Procurement Officer of DTMB-Procurement, in consultation with Department of Treasury, will direct the person named below, or any other person so designated, to monitor and coordinate the activities for the Contract on a day-to-day basis during its term. However, monitoring of the Contract implies **no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of the Contract as that authority is retained by DTMB Procurement**. The CCI for the Contract is:

Kevin VanGieson
Department of Treasury
Bureau of Local Government Services

2.023 Project Manager – Deleted/Not Applicable

2.024 Change Requests

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

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

Change Requests:

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

(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 the Contract and then ceases performing that work, the Contractor must, at the request of the State, retract any out-of-scope work that would adversely affect the Contract.

2.025 Notices

Any notice given to a party under the Contract must be deemed effective, if addressed to the State contact as noted in Section 2.021 and the Contractor's contact as noted on the cover page of the 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 the Contract. Contractor may change the representatives from time to time upon written notice.

2.027 Relationship of the Parties

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

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

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

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

(c) If the Contractor intends to assign the Contract or any of the Contractor's rights or duties under the Contract, the Contractor must notify the State in writing at least 90 days before the assignment. The Contractor also must provide the State with adequate information about the assignee within a reasonable amount of time before the assignment for the State to determine whether to approve the assignment.

2.030 General Provisions

2.031 Media Releases
News releases (including promotional literature and commercial advertisements) pertaining to the RFP and Contract or project to which it relates 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 the RFP and Contract are to be released without prior written approval of the State and then only to persons designated.

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

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

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

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

2.036 Freedom of Information

All information in any proposal submitted to the State by Contractor and the Contract is subject to the provisions of the Michigan Freedom of Information Act, 1976 PA 442, 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 the Contract must 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 the 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 the 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 the Contract, the State must not be obligated to pay any amounts in addition to the charges specified in the Contract.

2.044 Invoicing and Payment – In General
(a) Each Statement of Work issued under the 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 must 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 must 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 PA 279, MCL 17.51 et seq., within 45 days after receipt, provided the State determines that the invoice was properly rendered.

(d) All invoices must reflect actual work done. Specific details of invoices and payments will be agreed upon between the CCI and the Contractor.

The specific payment schedule for any Contract(s) entered into, as the State and the Contractor(s) must mutually agree upon. The schedule must show payment amount and must 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.

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 CCI, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

2.045 Pro-ration
To the extent there are any Services that are to be paid for on a monthly basis, the cost of such Services 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 the Contract.

2.047 Final Payment
The making of final payment by the State to Contractor does not constitute a waiver by either party of any rights or other claims as to the other party's continuing obligations under the Contract, nor will it constitute a waiver of any claims by one party against the other arising from unsettled claims or failure by a party to comply with the 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 the Contract must constitute a waiver of all claims by Contractor against the State for payment under the 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. The Contractor must register with the State electronically at http://www.cpexpress.state.mi.us. As stated in 1984 PA 431, all contracts that the State enters into for the purchase of goods and services must provide that payment will be made by Electronic Fund Transfer (EFT).

2.050 Taxes

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

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

2.060 Contract Management

2.061 Contractor Personnel Qualifications
All persons assigned by Contractor to the performance of Services under the 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 the 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 the 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 reserves 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 must notify the State of the proposed assignment, must introduce the individual to the appropriate State representatives, and must 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 must 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 the Contract without the prior written consent of the State. The Contractor's removal of Key Personnel without the prior written consent of the State is an unauthorized removal ("Unauthorized Removal"). Unauthorized Removals does not include replacing Key Personnel for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation or for cause termination of the Key Personnel's employment. Unauthorized Removals does not include replacing Key Personnel because of promotions or other job movements allowed by Contractor personnel policies or Collective Bargaining Agreement(s) as long as the State receives prior written notice before shadowing occurs and Contractor provides 30 days of shadowing unless parties agree to a different time period. The Contractor with the State must review any Key Personnel replacements and appropriate transition planning must be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its termination and cancellation rights.

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

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

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

2.064 Contractor Personnel Location

All staff assigned by Contractor to work on the Contract must perform their duties either primarily at Contractor's offices and facilities or at State facilities. Without limiting the generality of the foregoing, Key Personnel must, 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 must 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 must 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 the Contract and will not interfere or jeopardize the safety or operation of the systems or facilities. The State acknowledges that Contractor's time schedule for the Contract is very specific and must not unnecessarily or unreasonably interfere with, delay, or otherwise impede Contractor's performance under the 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 the Contract in the same condition as when provided by the State, reasonable wear and tear excepted.

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

2.070 Subcontracting by Contractor

2.071 Contractor Full Responsibility
Contractor has 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 the 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 the Contract to a Subcontractor unless the DTMB-Procurement has given written consent to such delegation. The State reserves the right of prior written approval of all Subcontractors and to require Contractor to replace any Subcontractors found, in the reasonable judgment of the State, to be unacceptable. The State's request 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 Subcontractor(s) for the removed Subcontractor must be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed Subcontractor, the State will agree to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with a removed Subcontractor results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLA for the affected Work will not be counted for a time agreed upon by the parties.

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

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

2.075 Competitive Selection
The Contractor must select Subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the Contract.

2.080 State Responsibilities

2.081 Equipment
The State must 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 must 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 must 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 must 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. The Contractor must present these documents to the prospective employee before the Contractor presents the individual to the State as a proposed resource. Contractor staff must comply with all Physical Security procedures in place within the facilities where they are working.

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

2.093 PCI Data Security Standard – Deleted/Not Applicable

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 the Contract, is marked as confidential, proprietary, or with a similar designation by the State. "Confidential Information" excludes any information (including the Contract) that is publicly available under the Michigan FOIA.

2.102 Protection and Destruction of Confidential Information
The State and Contractor must 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 the Contract, (ii) acquire any right in or assert any lien against the Confidential Information of the other, or (iii) if requested to do so, refuse for any reason to promptly return the other party's Confidential Information to the other party. Each party must limit disclosure of the other party's Confidential Information to employees and Subcontractors who must have access to fulfill the purposes of the Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under the Contract, (B) the disclosure is necessary or otherwise naturally occurs in connection with work that is within the Subcontractor's scope of responsibility, and (C) Contractor obligates the Subcontractor in a written Contract to maintain the State's Confidential Information in confidence. At the State's request, any employee of Contractor and of any Subcontractor having access or continued access to the State's Confidential Information may be required to execute an acknowledgment that the employee has been advised of Contractor's and the Subcontractor's obligations under this Section and of the employee's obligation to Contractor or Subcontractor, as the case may be, to protect the Confidential Information from unauthorized use or disclosure.

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

2.103 Exclusions
Notwithstanding the foregoing, the provisions of **Section 2.100** 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 the Contract for any reason.

2.110 Records and Inspections

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

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

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

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

2.115 Errors
(a) If the audit demonstrates any errors in the documents provided to the State, then the amount in error must be reflected as a credit or debit on the next invoice and in subsequent invoices until the amount is paid or refunded in full. However, a credit or debit may not be carried for more than four invoices. If a balance remains after four invoices, then the remaining amount will be due as a payment or refund within 45 days of the last quarterly invoice that the balance appeared on or termination of the Contract, whichever is earlier.

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

2.120 Warranties

2.121 Warranties and Representations
The Contractor represents and warrants:

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

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

(c) It is the lawful owner or licensee of any Deliverable licensed or sold to the State by Contractor or developed by Contractor under the 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 the 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 the 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 the Contract, Contractor must assign or otherwise transfer to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.

(e) The Contract signatory has the power and authority, including any necessary corporate authorizations, necessary to enter into the 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 the 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) If any of the certifications, representations, or disclosures made in the Contractor's original bid response change after the Contract start date, the Contractor must report those changes immediately to DTMB-Procurement.

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

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

2.124 Warranty of Title
Contractor must, in providing goods to the State, convey good title in those goods, whose transfer is right and lawful. All goods provided by Contractor must be delivered free from any security interest, lien, or encumbrance of which the State, at the time of contracting, has no knowledge. Goods provided by Contractor, under the Contract, must be delivered free of any rightful claim of any third person by of infringement or the like.

2.125 Equipment Warranty – Deleted/Not Applicable

2.126 Equipment to be New
If applicable, all equipment provided under the Contract by Contractor must be new where Contractor has knowledge regarding whether the equipment is new or assembled from new or serviceable used parts that are like new in performance or has the option of selecting one or the other. Equipment that is assembled from new or serviceable used parts that are like new in performance is acceptable where

Contractor does not have knowledge or the ability to select one or other, unless specifically agreed otherwise in writing by the State.

2.127 Prohibited Products
The State will not accept salvage, distressed, outdated or discontinued merchandise. Shipping of such merchandise to any State agency, as a result of an order placed against the Contract, is considered default by the Contractor of the terms and conditions of the Contract and may result in cancellation of the Contract by the State. The brand and product number offered for all items must remain consistent for the term of the Contract, unless DTMB-Procurement has approved a change order pursuant to **Section 2.024**.

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

All insurance coverage's provided relative to the 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 the 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 the Contract must be issued by companies that have been approved to do business in the State. See www.michigan.gov/deleg.

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 the 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 $1,000,000.00 with a maximum deductible of $50,000.00.

☑ 6. Umbrella or Excess Liability Insurance in a minimum amount of five million dollars ($5,000,000.00), which must apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.

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

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

2.132 Subcontractor Insurance Coverage

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

2.133 Certificates of Insurance and Other Requirements

Contractor must furnish to DTMB-Procurement, certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "Certificates"). The Certificate must be on the standard "accord" form or equivalent. **THE CONTRACT 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 MUST 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 Chief Procurement Officer of Procurement, DTMB. The notice must include the Contract or Purchase Order number affected. Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, the Contractor must provide evidence that the State and its agents, officers and employees are listed as additional insureds under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

The Contractor must maintain all required insurance coverage throughout the term of the Contract and any extensions and, in the case of claims-made Commercial General Liability policies, must secure tail coverage for at least three years following the expiration or termination for any reason of the 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 the 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 the Contract, or if any insurer cancels or significantly reduces any required insurance as specified in the 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 the Contract and that are attributable to the negligence or tortious acts of the Contractor or any of its Subcontractors, or by anyone else for whose acts any of them may be liable.

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

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

2.144 Patent/Copyright Infringement Indemnification
To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State to the extent that the action or proceeding is based on a claim that any piece of equipment, software,

commodity or service supplied by the Contractor or its Subcontractors, or the operation of the equipment, software, commodity or service, or the use or reproduction of any documentation provided with the equipment, software, commodity or service infringes any United States patent, copyright, trademark or trade secret of any person or entity, which is enforceable under the laws of the United States.

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

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

2.145 Continuation of Indemnification Obligations

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

2.146 Indemnification Procedures

The procedures set forth below must apply to all indemnity obligations under the 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 the Contract; (iii) the Contractor must periodically advise the State about the status and progress of the defense and must obtain the prior written approval of the State before entering into any settlement of the claim or ceasing to defend against the claim and (iv) to the extent that any principles of Michigan governmental or public law may be involved or challenged, the State has the right, at its own expense, to control the defense of that portion of the claim involving the principles of Michigan governmental or public law. But the State may retain control of the defense and settlement of a claim by notifying the Contractor in writing within 10 days after the State's receipt of Contractor's information requested by the State under clause (ii) of this paragraph if the State determines that the Contractor has failed to demonstrate to the reasonable satisfaction of the State the Contractor's financial ability to carry out its defense and indemnity obligations under this Section. Any litigation activity on behalf of the State, or any of its subdivisions under this Section, must be coordinated with the Department of Attorney General. In the event the insurer's

attorney represents the State under this Section, the insurer's attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

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

2.150 Termination/Cancellation

2.151 Notice and Right to Cure

If the Contractor breaches the Contract, and the State, in its sole discretion, determines that the breach is curable, then the State must 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 the Contract, for cause, by notifying the Contractor in writing, if the Contractor (i) breaches any of its material duties or obligations under the 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 the Contract is terminated for cause, the Contractor must pay all costs incurred by the State in terminating the 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 the 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 the Contract, provided the costs are not in excess of 50% more than the prices for the Service/Deliverables provided under the Contract.

(c) If the State chooses to partially terminate the Contract for cause, charges payable under the 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 the Contract that are terminated for cause must cease on the effective date of the termination.

(d) If the State terminates the 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 the Contract for a termination for convenience.

2.153 Termination for Convenience

The State may terminate the Contract for its convenience, in whole or part, if the State determines that a termination is in the State's best interest. Reasons for the termination must be left to the sole discretion of the State and may include, but not necessarily be limited to (a) the State no longer needs the Services or products specified in the Contract, (b) relocation of office, program changes, changes in laws, rules, or regulations make implementation of the Services no longer practical or feasible, (c) unacceptable prices for Additional Services or New Work requested by the State, or (d) falsification or misrepresentation, by inclusion or non-inclusion, of information material to a response to any RFP issued by the State. The State may terminate the 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 the Contract in part, the charges payable under the Contract must be equitably adjusted to reflect those Services/Deliverables that are terminated. Services and related provisions of the 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 the Contract extends for several fiscal years, continuation of the Contract is subject to appropriation or availability of funds for the Contract. If funds to enable the State to effect continued payment under the Contract are not appropriated or otherwise made available, the State must terminate the Contract and all affected Statements of Work, in whole or in part, at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of termination to Contractor. The State must give Contractor at least 30 days advance written notice of termination for non-appropriation or unavailability (or the time as is available if the State receives notice of the final decision less than 30 days before the funding cutoff).

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

(c) If the State terminates the 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 the 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 the 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 must pay the Contractor for only the work completed to that point under the Contract. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in the written notice.

2.157 Rights and Obligations upon Termination

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

(b) If the State terminates the 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 the 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 the 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 the Contract, and may further pursue completion of the Services/Deliverables under the Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

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

2.160 Termination by Contractor

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

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

2.170 Transition Responsibilities

2.171 Contractor Transition Responsibilities
If the State terminates the Contract, for convenience or cause, or if the Contract is otherwise dissolved, voided, rescinded, nullified, expires or rendered unenforceable, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. If the 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 180 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 the 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 must 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 the Contract. The Contractor must provide the State with asset management data generated from the inception of the Contract through the date on which the Contractor is terminated in a comma-delineated format unless otherwise requested by the State. The Contractor must deliver to the State any remaining owed reports and documentation still in Contractor's possession subject to appropriate payment by the State.

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

2.175 Transition Payments
If the transition results from a termination for any reason, reimbursement must be governed by the termination provisions of the 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 must prepare an accurate accounting from which the State and Contractor may reconcile all outstanding accounts.

2.176 State Transition Responsibilities
In the event that the Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to perform the following obligations, and any others upon which the State and the Contractor agree:
(a) Reconciling all accounts between the State and the Contractor;
(b) Completing any pending post-project reviews.

2.180 Stop Work

2.181 Stop Work Orders
The State may, at any time, by written stop work order to Contractor, require that Contractor stop all, or any part, of the work called for by the Contract for a period of up to 90 calendar days after the stop work order is delivered to Contractor, and for any further period to which the parties may agree. The stop work order must be identified as a stop work order and must indicate that it is issued under this **Section 2.180**. 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, the Contract price, or both, and the Contract must be modified, in writing, accordingly, if: (a) the stop work order results in an increase in the time required for, or in Contractor's costs properly allocable to, the performance of any part of the Contract; and (b) Contractor asserts its right to an equitable adjustment within 30 calendar days after the end of the period of work stoppage; provided that, if the State decides the facts justify the action, the State may receive and act upon a Contractor proposal submitted at any time before final payment under the Contract. Any adjustment must 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 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 the Contract or any Statement of Work must be resolved as follows. For all Contractor claims seeking an

increase in the amounts payable to Contractor under the Contract, or the time for Contractor's performance, Contractor must submit a letter, together with all data supporting the claims, executed by Contractor's Contract Administrator or the Contract Administrator's designee certifying that (a) the claim is made in good faith, (b) the amount claimed accurately reflects the adjustments in the amounts payable to Contractor or the time for Contractor's performance for which Contractor believes the State is liable and covers all costs of every type to which Contractor is entitled from the occurrence of the claimed event, and (c) the claim and the supporting data are current and complete to Contractor's best knowledge and belief.

2.192 Informal Dispute Resolution

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

(i) The representatives of Contractor and the State must meet as often as the parties reasonably deem necessary to gather and furnish to each other all information with respect to the matter in issue which the parties believe to be appropriate and germane in connection with its resolution. The representatives must discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.

(ii) During the course of negotiations, all reasonable requests made by one party to another for non-privileged information reasonably related to the Contract must 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 Chief Procurement Officer of Procurement, DTMB, or designee, must issue a written opinion regarding the issue(s) in dispute within 30 calendar days. The opinion regarding the dispute must be considered the State's final action and the exhaustion of administrative remedies.

(b) This Section must 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 the Contract.

2.193 Injunctive Relief

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.192** is where a party makes a good faith determination that a breach of the terms of the Contract by the other party is the that the damages to the party resulting from the breach will be so immediate, so large or severe and so incapable of adequate redress after the fact that a temporary restraining order or other immediate injunctive relief is the only adequate remedy.

2.194 Continued Performance

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

2.200 Federal and State Contract Requirements

2.201 Nondiscrimination

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

employment, as specified here, binding upon each Subcontractor. This covenant is required under the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, et seq., and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, et seq., and any breach of this provision may be regarded as a material breach of the Contract.

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

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

2.204 Prevailing Wage
The rates of wages and fringe benefits to be paid each class of individuals employed by the Contractor, its subcontractors, their subcontractors, and all persons involved with the performance of the Contract in privity of contract with the Contractor must not be less than the wage rates and fringe benefits established by the Michigan Department of Licensing and Regulatory Affairs, Wage and Hour Division, schedule of occupational classification and wage rates and fringe benefits for the local where the work is to be performed. The term Contractor must include all general contractors, prime contractors, project managers, trade contractors, and all of their contractors or subcontractors and persons in privity of contract with them.

The Contractor, its subcontractors, their subcontractors and all persons involved with the performance of the Contract in privity of contract with the Contractor must keep posted on the work site, in a conspicuous place, a copy of all wage rates and fringe benefits as prescribed in the contract. You must also post, in a conspicuous place, the address and telephone number of the Michigan Department of Licensing and Regulatory Affairs, the office responsible for enforcement of the wage rates and fringe benefits. The Contractor must keep an accurate record showing the name and occupation of the actual wage and benefits paid to each individual employed in connection with the Contract. This record must be available to the State upon request for reasonable inspection.

If any trade is omitted from the list of wage rates and fringe benefits to be paid to each class of individuals by the Contractor, it is understood that the trades omitted must also be paid not less than the wage rate and fringe benefits prevailing in the local where the work is to be performed.

2.210 Governing Law

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

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

2.213 Jurisdiction
Any dispute arising from the Contract must be resolved in the State of Michigan. With respect to any claim between the parties, Contractor consents to venue in Ingham County, Michigan, and irrevocably waives any objections it may have to the jurisdiction on the grounds of lack of personal jurisdiction of the

court or the laying of venue of the court or on the basis of forum non conveniens or otherwise. Contractor agrees to appoint agents in the State of Michigan to receive service of process.

2.220 Limitation of Liability

2.221 Limitation of Liability

Neither the Contractor nor the State is liable to each other, regardless of the form of action, for consequential, incidental, indirect, or special damages. This limitation of liability does not apply to claims for infringement of United States patent, copyright, trademark or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of the 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 the Contract.

2.230 Disclosure Responsibilities

2.231 Disclosure of Litigation

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

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

(i) the ability of Contractor (or a Subcontractor) to continue to perform the 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 the 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 must be able to continue to perform the 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 DTMB-Procurement.

(2) Contractor must also notify DTMB Procurement within 30 days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.

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

2.232 Call Center Disclosure – Deleted/Not Applicable

2.233 Bankruptcy

The State may, without prejudice to any other right or remedy, terminate the 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 the 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 the Contract time periods notwithstanding the State's failure. Contractor will not be in default for a delay in performance to the extent the delay is caused by the State.

2.242 Service Level Agreements (SLAs)

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

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

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

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

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

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

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

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

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

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

2.243 Liquidated Damages

The parties acknowledge that late or improper completion of the Work will cause loss and damage to the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result. Therefore, Contractor and the State agree that if there is late or improper completion of the Work and the State does not elect to exercise its rights under **Section 2.152**,
the State is entitled to collect liquidated damages in the amount of $1,000.00 per day for each day Contractor fails to remedy the late or improper completion of the Work up to a 10 % maximum of the Contract value.

Contractor shall not be liable for liquidated damages in the event complete equalization information is not reported by local units.

It is acknowledged that an Unauthorized Removal will interfere with the timely and proper completion of the Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any Unauthorized Removal. Therefore, Contractor and the State agree that in the case of any Unauthorized Removal in respect of which the State does not elect to exercise its rights under **Section 2.152**, the State may assess liquidated damages against Contractor as specified below.

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

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

2.244 Excusable Failure

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

If a party does not perform its contractual obligations for any of the reasons listed above, the non-performing party will be excused from any further performance of its affected obligation(s) for as long as the circumstances prevail. but the party must use commercially reasonable efforts to recommence performance whenever and to whatever extent possible without delay. A party must promptly notify the other party in writing immediately after the excusable failure occurs, and also when it abates or ends.

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

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

2.250 Approval of Deliverables – Deleted/Not Applicable

2.260 Ownership

2.261 Ownership of Work Product by State

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

2.262 Vesting of Rights

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

2.263 Rights in Data

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

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

2.264 Ownership of Materials
The State and the Contractor will continue to own their respective proprietary technologies developed before entering into the Contract. Any hardware bought through the Contractor by the State, and paid for by the State, will be owned by the State. Any software licensed through the Contractor and sold to the State, will be licensed directly to the State.

2.270 State Standards

2.271 Existing Technology Standards
The Contractor must 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/Not Applicable

2.290 Environmental Provision

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

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

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

(c) Once the Hazardous Material has been removed or rendered harmless by the State, the Contractor must resume Work as directed in writing by the State. Any determination by the Michigan Department of Community Health or the Michigan Department of Environmental Quality that the Hazardous Material has either been removed or rendered harmless is binding upon the State and Contractor for the purposes of resuming the Work. If any incident with Hazardous Material results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in **Section 2.242** for a time as mutually agreed by the parties.

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

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

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

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

2.300 Other Provisions

2.311 Forced Labor, Convict Labor, Forced or Indentured Child Labor, or Indentured Servitude Made Materials

Equipment, materials, or supplies, that will be furnished to the State under the Contract must not be produced in whole or in part by forced labor, convict labor, forced or indentured child labor, or indentured servitude.

"Forced or indentured child labor" means all work or service: exacted from any person under the age of 18 under the menace of any penalty for its nonperformance and for which the worker does not offer himself voluntarily; or performed by any person under the age of 18 under a contract the enforcement of which can be accomplished by process or penalties.

Attachment A, Pricing

Deliverable	Year 1	Year 2	Year 3	Total
3. Electronic Receipt and Processing of Information from Local Units	$62,250.00	$62,250.00	$62,250.00	$186,750.00
4. Hard Copy Receipt and Processing of Information from Local Units (Cost Per County) (Estimated at 5% or Less of Total)	$4,000.00	$4,000.00	$4,000.00	$12,000.00
5. Software Costs (Development, Testing, Usage)	$25,000.00	$25,000.00	$25,000.00	$75,000.00
6. Data Hosting	$41,500.00	$41,500.00	$41,500.00	$124,500.00
7. Other Costs associated with Final Deliverable (Identified by Contractor)	$16,000.00	$16,000.00	$16,000.00	$48,000.00
8. Custom Programming, Imports, Exports and Reports (Cost Per Hour x 50 Estimated Hours)	$10,000.00	$10,000.00	$10,000.00	$30,000.00
9. Creation, Maintenance and Enhancement to File Transfer Protocol (FTP) website	$24,000.00	$24,000.00	$24,000.00	$72,000.00
Total Contract Amount	$182,750.00	$182,750.00	$182,750.00	$548,250.00
Custom Programming/Imports/Exports/Reports (Cost Per Hour)	$200	$200	$200	$200

Exhibit 1, Security Requirements

Security Requirements

The Contractor must comply with State and federal statutory and regulatory requirements, and rules; National Institute of Standards and Technology (NIST) publications; Control Objectives for Information and Related Technology (COBIT); all other industry specific standards; national security best practices and all requirements herein.

The Contractor must perform annual testing of all security control requirements to determine they are working as intended. Annual certification must be provided in writing to the CCI or designee in the form of a SSAE16 or similar audit report, if applicable.

A. Governing Security Standards and Publications

The State of Michigan information is a valuable asset that must be protected from unauthorized disclosure, modification, use, or destruction. Prudent steps must be taken to ensure that its integrity, confidentiality, and availability are not compromised.

The Contractor must collect, process, store, and transfer Department of Treasury personal, confidential or sensitive data in accordance with the Contractual agreement, State of Michigan policies and the laws of the State of Michigan and the United States, including, but is not limited to the following:

1. The Michigan Identity Theft Protection Act, MCL 445.61 et seq;
2. The Michigan Social Security Number Privacy Act, MCL 445.82 et seq.
3. Family Educational Rights and Privacy Act
4. State of Michigan Policies and information technology standards at http://www.michigan.gov/dmb/0,1607,7-150-56355-107739--,00.html.

B. Security Risk Assessment

The Contractor must conduct assessments of risks and identify the damage that could result from unauthorized access, use, disclosure, disruption, modification, or destruction of information and information systems that support the operations and assets of the Department of Treasury. Security controls must be implemented based on the potential risks. The Contractor must ensure that reassessments occur whenever there are significant modifications to the information system and that risk assessment information is updated.

C. System Security Plan

The Contractor must develop and implement a security plan that provides an overview of the security requirements for the information system. If a security plan does not exist, the Contractor must provide a description of the security controls planned for meeting those requirements. The security plan must be reviewed periodically and revised to address system/organizational changes or problems.

D. Network Security

The Contractor is responsible for the security of and access to Department of Treasury data, consistent with legislative or administrative restrictions. Unsecured operating practices, which expose other connected networks to malicious security violations, are not acceptable. The Contractor must coordinate with DTMB to enter the proper pointers into the SOM infrastructure.

E. Data Security

The Contractor has the responsibility to protect the confidentiality, integrity, and availability of SOM data that is generated, accessed, modified, transmitted, stored, disposed, or used by the system, irrespective of the medium on which the data resides and regardless of format (such as in electronic, paper or other physical form).

The Contractor must:

1. Process the personal data in accordance with the personal data protection laws of the SOM and the United States.

2. Have in place appropriate technical and organizational internal and security controls to protect the personal data against accidental or unlawful destruction or accidental loss, alteration, unauthorized disclosure or access, and which provide a level of security appropriate to the risk represented by the processing and the nature of the data to be protected. Technical and organizational security controls must be implemented that are appropriate to the risks, such as against accidental or unlawful destruction or accidental loss, alteration, unauthorized disclosure or access, presented by the processing.

3. Provide secure and acceptable methods of transmitting personal, confidential or sensitive information over telecommunication devices such as data encryption (128 bit minimum), Secure Socket Layer (SSL), dedicated leased line or Virtual Private Network (VPN).

4. Supply the Department of Treasury, Security Division with information associated with security audits performed in the last three years.

5. Have in place procedures so that any third party it authorizes to have access to the personal data, including processors, must respect and maintain the confidentiality, integrity, and availability of the data.

6. Process the personal, confidential and sensitive data only for purposes described in the Contract.

7. Identify to the Department of Treasury, a contact point within its organization authorized to respond to enquiries concerning processing of the personal, confidential or sensitive data, and will cooperate in good faith with the Department.

8. Not disclose or transfer the personal, confidential or sensitive data to a third party unless it is approved under this Contract.

9. Not use data transferred by the Department of Treasury as a result of this Contract for marketing purposes.

F. Media Protection

1. The Contractor must implement measures to provide physical and environmental protection and accountability for tapes, diskettes, printouts, and other media containing Department of Treasury's personal, confidential and sensitive information to prevent the loss of confidentiality, integrity, or availability of information including data or software, when stored outside the system. This can include storage of information before it is input to the system and after it is output.

2. The Contractor must ensure that only authorized users have access to information in printed form or on digital media removed from the information system, physically control and securely store information media, both paper and digital, restrict the pickup, receipt, transfer, and delivery of such media to authorized personnel.

G. Media Destruction and Disposal

1. The Contractor must sanitize or destroy information system digital media containing personal, confidential or sensitive information before its disposal or release for reuse to prevent unauthorized individuals from gaining access to and using information contained on the media.

2. The Contractor must destroy personal, confidential or sensitive information by burning, mulching, pulverizing or shredding. If shredded, strips must not be more than 5/16-inch, microfilm must be shredded to affect a 1/35-inch by 3/8-inch strip, and pulping must reduce material to particles of one inch or smaller.

3. The Contractor must destroy disk or tape media by overwriting all data tracks a minimum of three times or running a magnetic strip over and under entire area of disk at least three times. If the CD, DVD or tape cannot be overwritten it must be destroyed in an obvious manner to prevent use in any disk drive unit and discarded. Hand tearing, recycling, or burying information in a landfill are unacceptable methods of disposal. Electronic data residing on any computer systems must be purged based on retention periods required by the Department of Treasury.

H. Access Control

The Contractor must limit information system access to authorized users, processes acting on behalf of authorized users, or devices (including other information systems) and to the types of transactions and functions that authorized users are permitted to exercise. Access must be immediately removed when a staff changes job duties or leaves the employment.

Authentication Process

Authentication is the process of verifying the identity of a user. Authentication is performed by having the user enter a user name and password in order to access the system.

To help protect information from unauthorized access or disclosure, users must be identified and authenticated per the table below prior to accessing confidential or sensitive information, initiating transactions, or activating services.

Publicly available information such as the mother's maiden name, birth date, and address as the sole authenticator is not a secure means of authentication and must not be used.

Automatic user logons are prohibited. Device-to-device logons must be secured (preferably using client certificates or password via tunneled session). For certain implementations, source restrictions (sign-on can occur only from a specific device) provide a compensating control, in addition to the ID and password.

Authentication information (e.g., a password or PIN) must never be disclosed to another user or shared among users.

The authentication process is limited to three unsuccessful attempts and must be reinstated by the authorized personnel (preferably the System security Administrator). User accounts must be systematically disabled after 90 days of inactivity and must be deleted after one year of inactivity

Password Requirements

The purpose of a password is to authenticate a user accessing the system and restrict use of a userID only to the assigned user. To the extent that the functionality is supported within the technology or product, the controls listed must be implemented.

These following controls or content rules apply at any point where a new password value is to be chosen or assigned. These rules must be enforced automatically as part of a new password content checking process:

Password Property	Value
Minimum Length	Eight characters with a combination of alpha, numeric and special characters
Composition	• At least two numeric characters (0 through 9), neither of which may be at the beginning or the end of the password • A combination of two upper (A through Z) and lower case (a through z) letters • Special characters (!, @, #, $, %, ^, &, *, (,), +, =, /, <, >, ?,., :, ;, \) • UserID in password is not allowed
Expiration Requirement (Maximum Password Age):	30 days
Revocation	Passwords must be revoked after three failed attempts. (Treasury strongly supports password revocation after three failed attempts if system allows) Passwords must be systematically disabled after 90 days of inactivity to reduce the risk of compromise through guessing, password cracking or

	other attack and penetration methods.
Temporary passwords	• Must be randomly chosen or generated • System must force the user to change the temporary password at initial login
Change process	System must force user to: • Confirm their current password/PIN, • Reenter current password/PIN • Create a new password/PIN • Reenter new password/PIN System must prevent users from being able to consecutively change their password value in a single day (The goal is to prevent recycling through password history records to reuse an earlier-used password value)
Login process	Password/PIN must not appear on the screen during the login process (The exception to this is during selection of a machine-generated password).
Encryption of passwords/PINs	Passwords must be stored and transmitted with a minimum of 128-bit encryption. Passwords must be masked when entered on any screen
Compromise of password/PIN	Must be changed immediately
Forgotten password/PIN	Must be reset by authorized person (system Security Administrator)
Current user password/PIN	Must not be maintained or displayed in any readable format on the system
Audit logs	Maintain a record of when a password was changed, deleted, or revoked. The audit trail must capture all unsuccessful login and authorization attempts for a one year period.
Password history	Keep a password history and perform a check against the history to verify the password has not been used for a minimum of one year
Privileged account access (e.g. supervisor or root)	Security administrator must change the password for that account immediately when user changes responsibilities

I. System Security Application Control

Application controls apply to individual computer systems and may include such controls as data origin, input controls, processing controls, output controls, application access controls, application interfaces, audit trail controls, and system documentation. Application controls consist of mechanisms in place over each separate computer system to ensure authorized data is processed completely, accurately, and reliably. The Contractor must ensure application controls are in place and functioning properly within their organization. Ongoing testing and reporting of controls must be part of the business process in order to have a solid understanding of risks, strengths and weaknesses. The Contractor must provide a comprehensive solution to ensure that business critical applications are handled efficiently and are prioritized. Dynamic recovery procedures and fail over facilities must be incorporated into the scheduling process whenever possible; and where manual processes are needed, extensive tools must be available to minimize delays and ensure critical services are least impacted.

J. System Auditing

The Contractor must (i) create, protect, and retain information system audit log records to the extent needed to enable the monitoring, analysis, investigation, and reporting of unlawful, unauthorized, or inappropriate information system activity, and (ii) ensure that the actions of individual information system users can be uniquely traced to those users so they can be held accountable for their actions.

The Contractor must observe the following guidelines regarding system auditing:

1. Audit record must contain the following:
   - date and time of the event
   - subject identity
   - type of event
   - how data changed
   - where the event occurred
   - outcome of the event

2. System alerts if audit log generation fails.

3. System protects audit information from unauthorized access.

4. Audit record must be reviewed by SOM and Contractor individuals with a “need to know” on a regular basis.

5. Audit logs are retained for a minimum of five years.

K. Configuration Control and Management

The configuration management policy and procedures must be consistent with applicable federal laws, directives, policies, regulations, standards and guidance.

L. Incident Reporting

1. The Contractor must immediately notify any security incidents and/or breaches to the CCI [see Exhibit 2, Form 4621 What is an Incident? (brochure)].

2. The Contractor must have a documented and implemented Incident Response Policy and Procedure.

3. The Contractor must have an incident handling form for consistent, repeatable process for monitoring and reporting when dealing with incidents.

4. The Contractor must have an incident response resource identified to assist users in handling and reporting incidents.

5. Personnel trained in their incident response roles and responsibilities at least annually.

M. Physical and Environmental Security

The Contractor must have established physical and environmental security controls to protect systems, the related supporting infrastructure and facilities against threats associated with their physical environment.

1. The Contractor must have established environmental protection for magnetic and other media from fire, temperature, liquids, magnetism, smoke, and dust.

2. The Contractor must control all physical access points to facilities containing information systems (except those areas within the facilities officially designated as publicly accessible), review physical security logs periodically, investigate security violations or suspicious physical access activities, and initiate remedial actions.

3. The Contractor must periodically review the established physical and environmental security controls to ensure that they are working as intended.

N. Disaster Recovery and Business Continuity Plan

The Contractor must have developed, periodically update, and regularly test disaster recovery and business continuity plans designed to ensure the availability of Department of Treasury’s data in the event of an adverse impact to the Contractors information systems due to a natural or man-made emergency or disaster event.

O. Security Awareness Training

The Contractor must ensure their staff having access to Treasury information are made aware of the security risks associated with their activities and of applicable laws, policies, and procedures related to security identified in Section A of Exhibit 1, and ensuring that personnel are trained to carry out their assigned information security related duties.

Contracted employees must obtain Department of Treasury provided security awareness training. (On-line training to be identified by the CCI).

P. Web Application Security

The Contractor must have established adequate security controls for web application(s) to provide a high level of security to protect confidentiality and integrity of personal, confidential and sensitive data. The controls include, but are not limited to:

1. Secure coding guidelines to ensure that applications are not vulnerable to, at a minimum, the following:

   - Injection flaws, particularly SQL injection, OS command injection, LDAP and Xpath injections
   - Buffer overflow
   - Insecure cryptographic storage
   - Insecure communications
   - Improper error handling
   - Cross-site scripting (XSS)
   - Improper Access Control (such as insecure direct object references, failure to restrict URL access, and directory traversal)
   - Cross-site request forgery (CSRF).

2. Authentication,

3. Authorization and access control,

4. Web application and server configuration (e.g., patch management, deletion of unnecessary services, separation of the operating system and the web server),

5. Session management (e.g., randomly generate unique session IDs, encrypt sessions, enforce session expiration date, establish time-out setting for inactive session),

6. Input validation (e.g., avoid shell commands, system calls, and malicious codes),

7. Encryption (e.g., personal, confidential and sensitive data, encryption keys, passwords, shared secret):
   - The system must use SSL (128 bit or higher) for secure communication between the user's browser and the system. SSL will be utilized for:

     - Log-on process (authentication information -UserID and passwords)
     - Specific field in the HTML forms and links (URLS) within the pages.
     - Cookies
     - Session id
     - Confidential and sensitive data files
     - Encryption keys, certificates, and passwords
     - Audit log file.

8. Audit logs (e.g., all authentication and authorization events, logging in, logging out, failed logins).

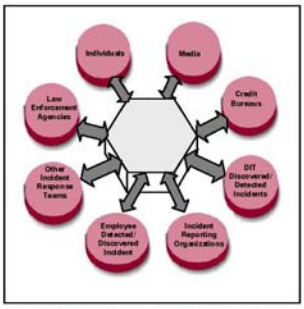
Exhibit 2, Form 4621, What Is An Incident? Brochure

Form 4621, What Is An Incident? (Brochure)

Exhibit 5

Identifying/Sensitive Information on Mobile Devices and Portable Media; also refer to Treasury Policy ET-03169 Data Security).

- Avoid sending or receiving unencryped confidential, personal or sensitive information via e-mail.
- Avoid sending confidential, personal or sensitive information via fax.
- Secure confidential, personal or sensitive papers on the fax, printer or copy machines.
- Keep conversations at a volume level and/or in a location that will protect information.
- Back up data on a regular basis; make sure data files from an approved portable device are stored on the network server.
- Never store more data than needed.
- Shred documents with confidential, personal or sensitive information (see Treasury Policy ET-03115 Confidential Information, Handle and Discard).
- Have computers and hard drives properly wiped or overwritten when discarding or transferring (see DIT Procedure 1350.90, Secure Disposal of Installed and Removable Digital Media, and Treasury Policy ET-03169).
- Use a log-in password that is not easily guessed. Make it at least eight characters long, composed of upper- and lower-case letters, numbers and symbols such as "#" (see DIT Standard 1310.03, Active Directory Password, and Treasury Policy ET-03175 Passwords).
- Never set any log-in dialog box to remember your password (see Treasury Policy ET-03175 Passwords).
- Use a password-protected screen saver that comes on after a few minutes of inactivity. Initiate screen lock system (if a Treasury employee, press the key with Microsoft Windows logo and "L" on the keyboard) when you leave your office, even for a short period.
- Limit access to confidential, personal or sensitive information to those who need to use it to perform their job duties (see DIT Policy 1335.00, Informative Access Control, and Treasury Policy ET-03164 Access Control).



See the following guidelines in the Security Guide for more information:

- ET-03180, Incident Reporting
- BT-03084, Security Breach Involving Personal Information
- PT-03253, Incident Reporting and Handling
- CT-03070, Incident/Security Breach Examples
- DIT Operating Procedure, How to Handle a Breach of Personal Identifiable/Sensitive Information Incidents

Other References:

- BT-03049, Employee Conduct, General Guidelines
- ET-03140, Workplace Safety
- PT-03246, Potential Dangerous Taxpayer/Debtor, Report
- PT-03095, Theft or Irregularities in Public Funds/ Property or Violations of Departmental Policies and Procedures, Report and Investigate

Contact Information:

Contact Division/Bureau Security Liaison or the Security Division at (517) 636-4081 with any questions.

4621 (Rev. 5-09)

What is an Incident? What is a Security Breach?

What must I do?
How should it be handled?

What is an Incident?

An incident is any event threatening some aspects of physical or financial security, when financial resources or items valued at $100 or more are missing or misused, any event violating confidentiality or privacy of information, where data is manipulated or missing, or any event involving unauthorized or unlawful activity.

Examples of Incidents:

- Missing computer equipment containing non-personal information.
- Missing briefcase that contains non-personal information.

Examples of Material Incidents:

- Missing laptop computer or other mobile device, portable media or paper records that do not contain Treasury personal information but do contain confidential or sensitive information.
- Missing warrant stock.

What makes an incident a Security Breach?

An incident becomes a security breach when an unauthorized person gains access to or acquires:

1. Unencrypted or unredacted (data not altered or truncated) personal information, or
2. The encryption key to an area storing personal information.

Beware: If personal information is discovered during the investigative process, an incident will become a potential security breach.

Examples of a Potential/Actual Security Breach:

- Missing laptop computer or other mobile device, or portable media that contains Treasury personal information.
- Missing paper records that contain personal information

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Exhibit 5

- Accessing personal information when there is no business need for it
- Using another individual's User ID and Password to access personal information
- Stealing Treasury records that include personal information
- Hacking into records containing Treasury personal information
- Obtaining Treasury personal information from employees without proper authorization to access the information
- Unauthorized and unescorted persons entering secure areas that house personal information.
- Theft of a server.

What is personal information?

The Identify Theft Protection Act, Public Act 452 of 2004, as amended, defines personal information as information containing the first name or initial of the first name and the last name **along with** one of the following:

1. Social Security number
2. Driver's License number or State Personal Identification card number
3. Account number; Credit or Debit Card number **in combination with** any required security code, access code or password that would permit access to a person's financial account.

Personal information may be in written or printed form or may reside electronically on devices or media such as mainframes, servers, personal computers (desktops and laptops), CDs, DVDs, tapes, flash drives, memory sticks, USB keys, microfiche, PDAs, Blackberrys, cell phones, or may exist on other state-of-the-art devices that have been or may be developed.

What should I do if my laptop is missing or if an incident is suspected?

Employee must:

1. File a report with local police immediately if asset valued at $100 or more is missing.
2. Notify immediate supervisor no later than beginning of the next business day.
3. Complete Parts 1 and 2 of *Incident Report* (Form 4000*.) This form is available on Treasury's Intranet.
4. Forward the Incident Report (with attached police report if applicable) to immediate supervisor and a copy to Treasury's Security Division.

Management Staff must:

1. Report the incident immediately through the chain of command to the Treasury Division Administrator and the Security Division, if unreported. If personal information is involved, follow the guidelines for Security Breach.

Exception: If another state agency/governmental entity, report incident to Treasury Disclosure Officer, Technical Services Division and the Security Division. If contractor or vendor, report incident to Contract Compliance Inspector and Security Division.

2. The Division Administrator must notify the Bureau Director if it is a material incident or involves non-Treasury information.
3. The Bureau Director must notify the other entity immediately.
4. The Division Administrator must inform the Department of Information Technology (DIT) Agency Services (Treasury) Director right away if incident involves information technologyresources.
5. Notify other Treasury divisions/offices that may be affected or should be involved with investigation.
6. The Disclosure Office must notify the IRS Office of Safeguards if Federal tax information is involved.
7. Investigate and resolve the incident.
8. Prepare the final form 4000 and submit it to Treasury's Security Division.

What should I do if I witness, discover, or am informed of a potential security breach?

Employee must:

1. Report the security breach immediately (no later than beginning of the next business day) to immediate supervisor.
2. Complete Parts 1 and 2 of Form 4000.
3. Forward the Incident Report (with attached police report if applicable) to immediate supervisor and a copy to Treasury's Security Division.

Management Staff must:

1. If the breach is ongoing, **CONTAIN IT.**
2. Report the potential breach immediately through the chain of command to the Bureau Director or Deputy Treasurer, whichever is applicable.
3. The Bureau Director or the Deputy Treasurer, whichever is applicable, must notify the Chief Deputy Treasurer immediately if a breach involving a database of personal information.
4. The Bureau Director must notify the other entity if the potential breach involves non-Treasury information.
5. The Division Administrator must inform the DIT Agency Services (Treasury) Director right away if incident involves information technology resources and personal information.
6. The Disclosure Office must notify the IRS Office of Safeguards if Federal tax information is involved.
7. Convene appropriate personnel so the scope of the breach can be determined and a plan for appropriate action can be agreed upon.
   Note: If a database of personal information is involved, the Chief Deputy Treasurer must approve the Plan of Action.
8. If appropriate, issue breach notifications by telephone, in writing, on the Web or by email.
9. Notify the three major credit bureaus of the breach if more than 1,000 residents of the State of Michigan will receive or have received breach notifications.
10. Prepare the final form 4000 and submit it to Treasury's Security Division.

*Another entity may substitute its internal form for form 4000 if pertinent information is included.

Treasury must protect personal information against risks such as unauthorized access, modification or loss with reasonable security safeguards. Some safeguards are:

- Do not store confidential, personal or sensitive Treasury information on mobile devices or portable media (including laptops, notebooks, memory sticks, CDs, DVDs, floppies) unencrypted: ENCRYPT files or the full disk. (Refer to DIT Standard 1340, Storing and Managing Personal