



**STATE OF MICHIGAN**  
**CENTRAL PROCUREMENT SERVICES**  
 Department of Technology, Management, and Budget  
 525 W. ALLEGAN ST., LANSING, MICHIGAN 48913  
 P.O. BOX 30026 LANSING, MICHIGAN 48909

**CONTRACT CHANGE NOTICE**

Change Notice Number 21

to

Contract Number 071B9200123

<b>CONTRACTOR</b>	KPMG Corporate Finance, LLC
	303 East Wacker Drive
	Chicago, IL 60601
	Liam Kelly
	(312) 665-1204
	liamkelly@kpmg.com
	CV0059169

<b>STATE</b>	<b>Program Manager</b>	Greg Losch	SW
		517-719-2037	
		loschg@michigan.gov	
	<b>Contract Administrator</b>	Jillian Yeates	DTMB
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**CONTRACT SUMMARY**

**FINANCIAL & STRATEGIC CONSULTING SERVICES**

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE
January 5, 2009	January 4, 2012	3 - 1 Year	February 3, 2019
PAYMENT TERMS		DELIVERY TIMEFRAME	
2% 30 – Net 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-Card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**MINIMUM DELIVERY REQUIREMENTS**

N/A

**DESCRIPTION OF CHANGE NOTICE**

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE		
\$24,230,500.00	\$0.00	\$24,230,500.00		

**DESCRIPTION**

Effective October 15, 2018, the following amendments are hereby incorporated into the contract per the attached statement of works for the Michigan Department of Transportation (MDOT).

Please note the Program Manager has been changed to Greg Losch (Section 2.015).

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

**Statement of Work for Michigan Department of Transportation  
Financial and Commercial Advisory Services –  
State of Michigan I-75 Modernization DBFM Project  
Contract 071B9200123  
Change Notice 21**

KPMG Corporate Finance LLC ("KPMG") is pleased to submit this amendment ("Amendment 2") to the task order dated May 24, 2017 ("Task Order") for financial and commercial advisory services for the State of Michigan ("State") I-75 Modernization DBFM project (the "Project"). This Amendment 2 (i) expands the scope of the work to be delivered by KPMG, (ii) expands the scope to be delivered by KPMG through a subcontractor ("Nossaman LLP"), and (iii) expands the total budget for the I-75 Segment 3 DBFM project.

This Amendment 2 will modify the existing task order under the contract between the State and KPMG, contract number 071B9200123 (the "Contract") and is subject to KPMG's standard client and engagement acceptance procedures. All other terms and conditions of the initial task order apply.

### **1. Scope of Work Extension**

As part of KPMG's advisory services for the I-75 Segment 3 DBFM project ("Project"), the State and the Michigan Department of Transportation ("MDOT") have requested that KPMG provide additional support and assistance with respect to (i) Value for Money ("VfM") analysis, (ii) drafting of the Instructions to Proposers ("ITP") document, with input from technical and commercial advisors, and reviewing and providing substantive input into the Project Agreement, (iii) Technical Provisions, including drafting non-compliance points ("NCP") regime, calibrating payment mechanism, and attending meetings, and (iv) developing and conducting training on contract administration and payment mechanism.

#### KPMG Scope extension:

- i. Value for Money Analysis
  - Increased scope for VfM from the originally contemplated high-level analysis
  - Additional and continued updates on VfM and collaboration with PFM
- ii. ITP and Project Agreement
  - 4 shortlisted proposers instead of 3, increasing the workload, Q&As and 1-on-1 meetings significantly
  - Significant additional work on the ITP – currently owning and leading the ITP work stream, not in original scope, which envisaged support in ITP development
  - Lead in organizing advisor team's responses to proposer Q&A for both the ITP and PA
  - Sculpted lifecycle payment analyses and associated updates
- iii. Technical Provisions
  - Supporting development/enhancements of TPs, developing non-compliance points table, and calibration of payment mechanism, which was not in original scope (including in person meetings with WSP/MDOT team members)
  - Attendance at the first two ATC meetings
  - Development of issues papers for non-tunnel ATC approach and geotechnical risk sharing mechanism etc.
  - Various white papers for MDOT on processes and workstreams (e.g. PABs, MSF)
- iv. Contract Administration and Payment Mechanism Training
  - KPMG will develop training materials with respect to administering the Project Payment Mechanism. We will also conduct a training session, in collaboration with Nossaman, for the relevant MDOT staff on this subject. This training will include information on:
    - Milestone Payments
    - Calculation of first availability payment
    - Overview of noncompliance point and deduction regime

- Timing of invoicing and payment
- Develop a model ("Model") to standardize calculation of periodic availability payments

Nossaman scope extension:

- i. Project Agreement
  - 4 shortlisted proposers instead of 3, increasing the workload and 1-on-1 meetings significantly
  - Significantly more internal consultant meetings and drafting of questions/positions instead of holding meetings
  - Significant additional work on the drafting and redrafting of multiple PA sections at MDOT's request
- ii. Technical Provisions
  - Significant effort in supporting the drafting of the TPs, review/revision/amendments
- iii. Contract Administration Training
  - Additional work to support Contract Administration training workshop for MDOT staff and technical advisors focusing on the administration of the I-75 Segment 3 Contract including the following key provisions/areas:
    - General provisions impacting the D&C Work and O&M Work
    - Scope of D&C and O&M Work
    - Overview of monitoring and reporting requirements for D&C and O&M Term
    - Obligations to correct nonconforming work
    - Key personnel and subcontract requirements
    - Submittal and approval process for O&M Term documents
    - Handback requirements
    - Change orders
    - Dispute resolution
    - Refinancing
    - Restriction on assignment and transfer during O&M Term
    - Performance and payment security during O&M Term
    - Default remedies and termination
    - Insurance
    - Overview of management of potential claims, change orders and disputes – dos and don'ts
    - Lessons learned from successful contract administration

## **2. Budget Extension**

Due to the increase in the scope of the subject Task Order, the total authorized budget is increased by \$1,206,711 of which \$569,511 is allocated for Nossaman and \$637,200 – for KPMG.

The State and MDOT shall not be obligated to pay for, and KPMG shall not be obligated to incur, hours or fees which exceed the total not-to-exceed price of this Amendment 2, as may be amended by the parties from time to time.

## **3. MDOT Responsibilities**

At the conclusion of the engagement, KPMG can provide a working copy of the Model for your use. The Model should be provided to you as a “Deliverable”, subject to the following:

MDOT is solely responsible for the completeness and accuracy of input and resulting calculations and for the use of those calculations in any form or format and any judgments and business decisions based on its use of the Model. KPMG has no obligation to update the Model, regardless of any changes to relevant facts or tax or accounting laws, rules or regulations in the future. Any change in the Model made by MDOT or on its behalf shall relieve KPMG of any liability or responsibility under any circumstance relating to MDOT’s use of the modified Model.

## **4. KPMG Responsibilities**

Our responsibilities are limited to the matters set out in the “Scope of Work Extension” section, and accordingly may not include any affirmation or attestation of the commercial merits, technical feasibility or compliance with I- 75 Segment 3 DBFM Project Agreement affecting the Model or the factual accuracy of the input data and the validity and completeness of the underlying assumptions. You further acknowledge that we cannot be held responsible for the model’s output. MDOT takes full responsibility for the deployment and use of the I-75 Segment 3 DBFM Payment Mechanism model upon your client acceptance. Therefore, KPMG shall not be identified with respect to any aspects of the model following our engagement.

**Statement of Work for the Michigan Department of Transportation  
Advisory Services –  
Utilities Tunnel – Straits of Mackinac in the Great Lakes  
Contract 071B9200123  
Change Notice 21**

KPMG Corporate Finance LLC ("KPMG") is pleased to submit this task order letter ("task order") to provide strategic, financial and commercial advisory services to the Michigan Department of Transportation ("MDOT") with respect to the assessment, negotiations with Enbridge, and potential procurement for the development of a new utilities tunnel beneath the Straits of Mackinac in the Great Lakes.

This task order will form a delivery order under the contract between the State of Michigan and KPMG, contract number 071B9200123 and the related extension signed on October 12, 2017 (the "Contract"), and will confirm the basis upon which the State has engaged KPMG to provide advisory services for the Project. These tasks are highlighted in section 1.104.6 of the Contract. This task order will form the statement of work required pursuant to section 2.013 of the Contract for the services summarized above and described herein. This task order outlines our intended scope of work, our estimated fees, team structure, and terms of the engagement. This task order is subject to KPMG's standard client and engagement acceptance procedures and to paragraph 2.210 of the Contract.

### **1. Background**

Enbridge owns Line 5, a pipeline in the Enbridge Lakehead System, which conveys oil via the Great Lakes. Due to the age of the pipeline and environmental concerns, the State of Michigan, is seeking to explore options to develop a replacement tunnel that will be used for the transport of oil as well as other utilities such as electricity transmission. Enbridge has developed an alternatives reports that describes options for the development of the tunnel.

### **2. Services to be provided**

The scope of services during Phase I: Strategy & Negotiations include assistance to MDOT in relation to:

- Strategic and commercial advice in relation to alternative options
- Negotiation support on heads of terms or pre-development agreement
- Preparation and facilitation of a market sounding
- Performing or reviewing any relevant financial analysis
- Assess governance options
- Participation in meetings on the Project

If the State of Michigan enters into a pre-development agreement or other type agreement for the development of the replacement tunnel, KPMG will assist with Phase II: Implementation, which includes:

- Assisting with development of procurement documents and procurement strategy
- Advising on asset management strategy for bridges portfolio and performance incentives
- Performing financial analysis and advice on different funding and financing options and processes
- Supporting in the evaluation of statements of qualifications and proposals
- Providing support in negotiations with market players
- Assisting with reaching commercial and financial close
- Advice on contract administration phases

Commencement of work for Phase II will be subject to separate notice to proceed by MDOT.

**Deliverables:** Comments on commercial documents.

### **3. Excluded Services**

The scope of the optional additional services will continue to exclude the following services:

- Accounting policy review or advice, including constituting acceptance, endorsement or approval of any accounting application or compliance with any accounting standard or requirement;
- Providing guidance on cost accounting activities related on-going operations of the Project;
- Audit or valuation of historical financial performance relating to subject bridge assets;

- Tax advice including provision of a formal opinion, although KPMG will be pleased to discuss separate terms of engagement for these services if required;
- Audit or validation of the financial model provided by bidders for the Project. Recommendations arising from model outputs are the sole responsibility of State management to evaluate and implement;
- Preparation of cash flows for the network of bridges and other technical projections required for project delivery, except as provided by the State; and
- Legal advice.

#### **4. Engagement Team**

The team we expect to deliver these services includes:

Liam Kelly - Engagement Lead  
George Spakouris – Strategic Advice  
Amir Azar – Engagement Manager, Energy Specialist  
Nick Greenwood – Energy Specialist  
Other resources as needed

If needed, KPMG will also rely on KPMG International Cooperative’s network of Member Firms to identify subject matter professionals who may bring international experience on similar projects.

California Accountancy Act – For engagements where services will be provided by the Contractor through offices located in California, the State acknowledges that certain of Contractor’s personnel who may be considered “owners” under the California Accountancy act and implementing regulations (California Business and Professions Code section 5079(a); 16 Cal. Code Regs. sections 51 and 51.1) and who may provide services in connection with this engagement, may not be licensed as certified public accountants under the laws of any of the various states.

#### **5. Fees**

The State will compensate KPMG based on the established hourly rate of \$400 per hour. The anticipated fees for the services outlined above are as follows:

- Phase I
  - KPMG scope: \$250,000 up to 450,000 (subject to MDOT’s approval for additional work load)
- Phase II
  - KPMG scope – Implementation: 800,000 (subject to separate notice to proceed by MDOT)

The target date for completion of the work described herein for Phase I is December 31, 2018, but it is subject to factors such as availability of the necessary information, availability of senior MDOT management provide guidance in relation to the project, and requests for additional analysis.

## **6. Use of Member Firms and Third Parties**

Use of member firms ("Member Firms") includes references to member firms of KPMG International, other independent firms licensed by KPMG International to use the KPMG name and, in each case, firms controlled by them and third party service providers:

- a) The State acknowledges that in connection with the performance of services under this Task Order, KPMG and Member Firms, in their discretion or at State's direction, may utilize the services of third party service providers within and without the United States to complete the services under this task order.
- b) KPMG uses third party service providers within and without the United States to provide at the direction of KPMG administrative and clerical services to the KPMG Parties. These third party service providers may in the performance of such services have limited access to information, including but not limited to Confidential Information, received by KPMG from or at the request or direction of the State. KPMG represents that each such third party service provider has agreed to conditions of confidentiality with respect to the State's information to the same or similar extent as KPMG has agreed. KPMG has full responsibility to cause these third party service providers to comply with such conditions of confidentiality and KPMG shall be responsible for any consequences of their failure to comply.
- c) Accordingly, the State consents to KPMG's disclosure to a Member Firm or third party service provider and the use by such Member Firm and third party service provider of data and information, including but not limited to Confidential Information, received from or at the request or direction of the State.
- d) Any services performed by a Member Firm, affiliate or third party service provider shall be performed in accordance with the terms of this task order and these Standard Terms and Conditions, but KPMG shall remain responsible to the State for the performance of such services. The State agrees that any claim relating to the services under this task order may only be made against KPMG and not any other Member Firm or third party service provider referred to above.

## **7. Intellectual Property, Third Party Use**

- a) KPMG shall retain ownership of any and all intellectual property rights in the product of KPMG's services performed hereunder, whether oral or written, and ownership of KPMG's work papers. The State shall acquire ownership of any product of the services performed in its tangible form upon payment in full of KPMG's fees. For the purposes of delivering services to the State and other KPMG clients, KPMG and its related entities shall be entitled to use, develop or share with each other knowledge, experience and skills of general application gained through performing the services hereunder. Any advice rendered by KPMG pursuant to this task order, written or oral, will be solely for the information and use of the State and treated by the State as confidential and may not be disclosed in any manner to any other person without KPMG's prior written approval.
- b) The advice, recommendations, work product, and deliverables provided as part of this task order will be developed for State management, and are not intended for use by any other party or for any other purpose, and may only be relied upon by State management and will be so marked. We disclaim any intention or obligation to update or revise the observations whether as a result of new information, future events or otherwise. Should additional documentation or other information become available which impacts upon the observations reached in our deliverables, we reserve the right to amend our observations and summary documents, including deliverables, accordingly

## 8. Other

We will require the support of the State and associated personnel in order to achieve timely completion of the aforementioned services. Support includes, but is not limited to, the collection of all relevant documents (paper or electronic) and the scheduling of interviews and coordination of meetings.

The State will designate a management level individual to oversee the conduct of these services, including coordination of project resources needed and review of draft deliverables. State personnel assigned to the project will review draft deliverables on a timely basis.

Additionally, the State and its other advisers will provide KPMG with underlying cost data for the Project as appropriate. If the foregoing correctly sets forth the agreement between the State and KPMG, please sign and return the enclosed copy of this proposal letter. If you have any questions with regard to our proposal, please reach out to me at your convenience.

KPMG's services as outlined in this task order constitute an advisory engagement conducted under the American Institute of Certified Public Accountants ("AICPA") Standards for Consulting Services. Such services are not intended to be an audit, examination, attestation, special report or agreed-upon procedures engagements as those services are defined in AICPA literature applicable to such engagements conducted by independent auditors.

Accordingly, these services shall not result in the issuance of a written communication to third parties by KPMG directly reporting on financial data or internal control or expressing a conclusion or any other form of assurance.

It is understood and agreed that KPMG is not registered with the SEC as a municipal advisor and that the State is not asking KPMG to provide, and KPMG will not provide, any services to the State which would require registration as a municipal advisor, including but not limited to advice with respect to municipal financial products or the issuance of municipal securities. Accordingly, KPMG will not make recommendations relating to municipal financial products or the issuance of municipal securities, and KPMG will not owe a fiduciary duty to the State under Section 15B of the Securities Exchange Act of 1934. The State represents to KPMG that if the State desires municipal advisor services in connection with or related to the subject matter of this engagement, it will obtain such services from another party.

KPMG can offer no view or undertake any role that could be considered public policy advocacy or lobbying. This engagement letter will be incorporated by reference into the contract.





**STATE OF MICHIGAN  
ENTERPRISE PROCUREMENT**

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

**REVISED  
CONTRACT CHANGE NOTICE**

Change Notice Number **20**  
to  
Contract Number **071B9200123**

<b>CONTRACTOR</b>	KPMG Corporate Finance, LLC
	303 East Wacker Drive
	Chicago, IL 60601
	Liam Kelly
	(312) 665-1204
	liamkelly@kpmg.com
	CV0059169

<b>STATE</b>	<b>Program Manager</b>	Tim Hoeffner	SW
		517-373-6672	
		hoeffnert@Michigan.gov	
	<b>Contract Administrator</b>	Jillian Yeates	DTMB
		(517) 275-1131	
		yeatesj@michigan.gov	

CONTRACT SUMMARY				
FINANCIAL & STRATEGIC CONSULTING SERVICES				
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW	
January 5, 2009	January 4, 2012	3 - 1 Year	February 3, 2019	
PAYMENT TERMS		DELIVERY TIMEFRAME		
2% 30 – Net 45		N/A		
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING	
<input type="checkbox"/> P-Card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
MINIMUM DELIVERY REQUIREMENTS				
N/A				
DESCRIPTION OF CHANGE NOTICE				
OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE		
\$22,830,500.00	\$1,400,000.00	\$24,230,500.00		
DESCRIPTION				
Effective May 30, 2018 the following amendment is hereby incorporated into the contract per the attached statement of work for the Michigan Department of Health and Human Services (MDHHS). Additionally, this Contract is increased by \$1,400,000.00 for MDHHS use. All other terms, conditions, specifications, and pricing remain the same. Per vendor and agency agreement, DTMB Procurement approval, and State Administrative Board approval on May 8, 2018.				

**Statement of Work for the Michigan Department of Health and Human Services  
Amendment 4 for Financial and Commercial Advisory Services –  
State Consolidated Laboratory  
Contract 071B9200123  
Change Notice 20**

KPMG Corporate Finance LLC ("KPMG") is pleased to submit this amendment ("Amendment 4") to the Statement of Work dated June 19, 2014 ("Statement of Work") for financial and commercial advisory services for the State of Michigan ("State") Consolidated Laboratory (the "Project"). This Amendment 4 expands (i) the scope of work, including the addition of a new subcontractor to KPMG, Mayer Brown LLP, (ii) the total budget and (iii) the timing of the Statement of Work.

This Amendment 4 will modify the scope and fees of the existing Statement of Work referenced above under the contract between the State and KPMG, contract number 071B9200123 (the "Contract"). There are no changes to the terms and conditions specified in the Statement of Work and contract referenced above.

**1. Additional Services**

The State has requested that KPMG retain the services of Mayer Brown for the benefit and at the direction of the State to (i) review and help draft a number of Project documents, including RFP documents and the project agreement, among others; (ii) assist the State with the administration of the procurement for the Project; (iii) support the commercial close and financial close of the Project; (iv) assistance with Project start-up following award, including notices to proceed; and (v) such other Project-related tasks as the State or KPMG direct. The scope of work is as follows:

**i. Document preparation and industry review phase**

- Assist in drafting of Project Agreement documents from a commercial perspective.
- Coordinate with and among co-consultants, including KPMG
- Review and comment on technical provisions drafted by HOK
- Participate in industry review process, including proposer workshops, one on one meetings, proposer Q&A and document revisions
- Assist with preparation of materials for presentations, briefings and other materials to senior staff, the Governor's Office and other stakeholders
- Participate in periodic team calls
- Other Project-related tasks directed by the Attorney General's Office ("AG") and/or KPMG to implement the procurement and Project

**ii. RFP issuance/evaluation/award/commercial close**

- Participate in post-RFP issuance procurement process, including proposer workshops, one on one meetings, review and response to proposer Q&A and document revisions (addenda)
- Assistance with administration and implementation of RFP/Proposal evaluation process
- Assist with commercial negotiations with apparent best value Proposer and Contract finalization
- Assist with Contract award and execution process/commercial close
- Assist with Project start-up, including notices to proceed
- Coordinate with and among co-consultants, including KPMG
- Participate in periodic team calls
- Other Project-related tasks directed by the AG and/or KPMG to implement the procurement and Project

**iii. Financial close phase**

- Assist with any public-private partnership financing issues, including close of finance issues
- Assist with documentation and closing of any public financing related to the Project
- Coordinate with and among co-consultants, including KPMG

- Participate in periodic team calls
- Other Project-related tasks directed by the AG and/or KPMG to implement the procurement and Project

In addition, the State has requested that the original scope of work be expanded to include programming and analysis with respect to adding MIOSHA to the Project.

## **2. State Acknowledgement**

In executing this Amendment 4, the State acknowledges the following:

- A) That KPMG is retaining Mayer Brown at their request and KPMG has not independently assessed Mayer Brown's qualifications to perform the requested services, and that accordingly, with the permission of the client, we will rely on that advice for purposes of preparing our deliverable but without independently assessing, or formulating an opinion, on it; and
- B) That KPMG is not licensed to provide any legal advice that Mayer Brown may provide and KPMG shall have no responsibility for Mayer Brown's advice or liability for damages resulting from Mayer Brown's advice.

The State will be relying on the Attorney General's Office in connection with any matters of law. KPMG and its subcontractors will not be responsible for any resolution or interpretation of Michigan law or for providing any legal opinions, including Michigan legal opinions.

## **3. Mayer Brown Acknowledgement**

Mayer Brown agrees that none of its lawyers who represent Veolia Environment S.A. or any of its affiliates in connection with the lawsuits and other matters growing out of the Flint water crisis shall represent the State in this matter, or have access to documents or information regarding the representation of the State in this matter.

## **4. Total Budget**

Due to the increase in the scope of the subject Task Order, the total authorized budget is increased by \$1,400,000 of which \$750,000 is allocated for Mayer Brown and \$650,000 for HOK and KPMG related to additional programming and analysis for MIOSHA as well as pending organizational changes that may require programming updates and revisions to the technical specifications. These fees are inclusive of work to be performed through December 31, 2018.

The State and the DHHS shall not be obligated to pay for, and KPMG shall not be obligated to incur, hours or fees which exceed the total not-to-exceed price of this Amendment 4, as may be amended by the parties from time to time based upon mutual agreement.

## **5. Timing**

Due to the increase in the scope of the subject Statement of Work, the anticipated timing for completion of the Project is amended to December 31, 2018.

## Addendum 1 – HOK Scope of Work

- I. PROJECT MANAGEMENT
  - a. Project Management
    - i. Prepare and maintain technical advisor team project schedule for the duration of the programming through proposal evaluation.
    - ii. Identify and track milestone delivery dates and parties responsible for delivery of the technical work product required for each phase of the project
    - iii. Schedule and send notifications for both client and internal meetings
    - iv. Prepare agendas for each working meeting with the client and their representatives as well as internal technical team meetings
    - v. Prepare, submit for review and final distribution of meeting minutes to document client and internal meetings
    - vi. Serve as clearing house for documentation of deliverables and provided electronic and print documents for client and technical team use
- II. REQUEST FOR QUALIFICATIONS (RFQ) TECHNICAL REQUIREMENTS DEVELOPMENT (Five months)
  - a. Advise on the development of Technical Requirements
    - i. Assist Client with the development of appropriate metrics for the determination of qualified Offerors for the Project
      - 1. Prepare initial analysis of anticipated scope, size and potential construction budget for the Project
    - ii. Attend work sessions to assist Client in the identification of and agreed upon responsibility for potential risks associated with the Project
    - iii. Assist Client with the development of RFQ Evaluation Manual
    - iv. Assist Client with responses to Requests for Clarifications received by Offerors
    - v. Advise Client on Pass/Fail Evaluation subcommittee to the Evaluation and Selection Review Committee.
    - vi. Advise Client on Reference Check subcommittee to the Evaluation and Selection Review Committee.
    - vii. Advise Client on Technical Advisory Subcommittee to the Evaluation and Selection Review Committee
- III. RFP TECHNICAL GUIDELINE DEVELOPMENT (7 months)
  - i. Advise throughout the Industry Review process
    - 1. Assist Client in the development, review and subsequent revisions based on comments received during Industry Review period.
      - a. Attend one-on-ones/proprietary meetings with each of the shortlisted offerors to discuss components of technical provisions
      - b. Provide responses to Offerors written comments and questions relating to industry review comments
      - c. Revise technical provisions accordingly
  - ii. Technical Requirements
    - 1. Advise on Site Analysis, including providing review and comment on
      - a. Topographical survey and Private Utility Locate
      - b. Initial utility load calculations and analysis related to availability of utilities
      - c. Initial geotechnical investigation report
      - d. Phase I ESA (ASTM E 1527-05 App X4) and Wetlands/Waterways Determination Report
      - e. Phase II Limited Soil and Groundwater Investigation Report
      - f. Traffic engineering report
      - g. Draft site layout plan
    - 2. Program Analysis
      - a. Conduct interviews with user groups to help determine anticipated staffing, space needs and operational requirements

- b. Provide Program detailing requirements of item 2a on a draft/indicative basis
          - i. Develop Relationship Diagrams based upon 2b
          - ii. Develop Blocking and Stacking Diagrams based upon 2b
          - iii. Develop Room Data Sheets based upon 2b
            - 1. Including major lab equipment
        - c. Develop narratives detailing operational / functional requirements of 2b
          - i. Develop Vision Statement and Core Objectives narrative
          - ii. Develop Project Design Principles narrative
          - iii. Develop Site Development Design narrative
          - iv. Develop General Design Requirements narrative
          - v. Develop Special Area Design narrative
          - vi. Develop Building Systems narrative
          - vii. Develop Specific Design Requirements narrative
          - viii. Develop Sustainable Design narrative
        - d. Develop Facility Program Statement
          - i. Develop Operational Context narrative
          - ii. Develop Component Planning narrative
3. Project Budget
  - a. Provide conceptual/theoretical estimate based on programming documents, outline specifications and adjacency diagrams.
    - i. Assist Client with discussions related to value engineering, if necessary.
  - b. Provide an initial outline construction schedule
    - i. Construction logistics outline
4. Performance Specifications
  - a. Site Improvements
  - b. Building requirements and criteria
  - c. Systems narratives
  - d. General project requirements
  - e. Mockups
  - f. Commissioning
5. Facility Management Specifications
  - a. Introduction
  - b. Plant services
  - c. General management services
  - d. FM Help Desk Services
  - e. Utilities management services
  - f. Environmental and sustainability services
  - g. Emergency management
  - h. Cleaning services
  - i. Roads and grounds maintenance services
  - j. Waste management and recycling services
  - k. Pest control services
  - l. Parking
  - m. Operation procedures plan
- iii. Proprietary Development Review Meetings
  - 1. Attend three proprietary meetings with each of the shortlisted offerors to discuss:
    - a. Review technical solution development
    - b. Discuss revisions to technical requirements proposed by offeror
  - 2. Discuss considerations with offeror which could materially alter or enhance the offerors potential for award
- iv. Final Design Presentation

1. Attend one Final Design Presentation meeting with each of the shortlisted offerors to discuss:
  - a. Presentation documenting how offerors proposal meets or exceeds the technical requirements.
- v. Technical Guideline Compliance
  1. Offeror Inquiries HOK
    - a. Assist Client with the development of responses to offeror requests for information related to the technical guidelines
    - b. Develop, in conjunction with the Client, required addendums related to the technical guidelines
  2. Final Proposal Review
    - a. Serve as Proposal Advisor on the Technical Advisory Subcommittee to the Client.
      - i. Assist Client in the review of Final Proposals from Offerors to determine the preferred offer.



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

**CONTRACT CHANGE NOTICE**

Change Notice Number 19

to

Contract Number 071B9200123

<b>CONTRACTOR</b>	KPMG Corporate Finance, LLC
	303 East Wacker Drive
	Chicago, IL 60601
	Liam Kelly
	(312) 665-1204
	liamkelly@kpmg.com
*****0734	

<b>STATE</b>	<b>Program Manager</b>	Tim Hoeffner	SW
		517-373-6672	
		hoeffnert@Michigan.gov	
	<b>Contract Administrator</b>	Jillian Yeates	DTMB
		(517) 284-7019	
		yeatesj@michigan.gov	

**CONTRACT SUMMARY**

**FINANCIAL & STRATEGIC CONSULTING SERVICES**

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 5, 2009	January 4, 2012	3 - 1 Year	February 3, 2019
PAYMENT TERMS		DELIVERY TIMEFRAME	
2% 30 – Net 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-Card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**MINIMUM DELIVERY REQUIREMENTS**

N/A

**DESCRIPTION OF CHANGE NOTICE**

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE		
\$19,330,500.00	\$3,500,000.00	\$22,830,500.00		

**DESCRIPTION**

Effective January 18, 2018, the following amendments are hereby incorporated into the contract per the attached statement of works for the Michigan Department of Transportation (MDOT). Additionally, this Contract is increased by \$3,500,000.00 for MDOT use. All other terms, conditions, specifications, and pricing remain the same. Per vendor and agency agreement, DTMB Procurement approval, and State Administrative Board approval on January 9, 2018.

**Statement of Work for the Michigan Department of Transportation  
Amendment 1 for Financial and Commercial Advisory Services –  
State of Michigan I-75 Modernization DBFM Project  
Contract 071B9200123  
Change Notice 19**

KPMG Corporate Finance LLC ("KPMG") is pleased to submit this amendment ("Amendment 1") to the task order dated May 24, 2017 ("Task Order") for financial and commercial advisory services for the State of Michigan ("State") I-75 Modernization DBFM project (the "Project"). This Amendment 1 (i) expands the scope of the work to be delivered by KPMG, (ii) expands the scope to be delivered by KPMG through a subcontractor ("Nossaman LLP"), (iii) expands the total budget for the I-75 Segment 3 DBFM project, and (iv) extends the timing of the Task Order through February 28, 2019.

This Amendment 1 will modify the existing task order under the contract between the State and KPMG, contract number 071B9200123 (the "Contract") and is subject to KPMG's standard client and engagement acceptance procedures.

**1. Scope of Work Extension**

As part of KPMG's advisory services for the I-75 Segment 3 DBFM project (Project), the State and the Michigan Department of Transportation ("MDOT") have requested that KPMG provide additional support and assistance with respect to (i) Value for Money ("VfM") analysis, (ii) drafting of the Request for Qualifications ("RFQ") beyond advising on the content and drafting of certain sections of the RFQ, and (iii) drafting of the Instructions to Proposers ("ITP") document, with input from technical and commercial advisors.

- i. Value for Money Analysis
  - In collaboration with the Finance Office, develop process for analysis and review key inputs developed by technical advisor
  - Participate in risk workshops as needed
  - Perform financial analysis based on aforementioned process and assumptions
  - Complete high-level VfM comparing traditional public sector comparator with DBFM
  - Assistance with preparation of materials for presentations, briefings and other materials to senior staff, the Governor's Office and other stakeholders
- ii. Request for Qualifications
  - Assist in the development of draft RFQ with technical advisor and reviewing input of various project team members for the RFQ document (beyond advising on the content of certain sections of the RFQ)
- iii. Instructions to Proposers
  - Draft initial commercial term sheet outline based on similar projects
  - Assist in the development of key sections of the ITP with input from technical advisor and MDOT
  - Collaborate with the legal advisor on finalizing the ITP

The State and MDOT have also requested that KPMG retain the services of Nossaman, to act as commercial advisor, for the benefit and at the direction of the State and MDOT to (i) review and help draft a number of Project documents, including RFP documents and the project agreement, among others; (ii) assist MDOT with the administration of the procurement for the Project; (iii) support the commercial close and financial close of the Project; (iv) assistance with Project start-up following award, including notices to proceed; and (v) such other Project-related tasks as MDOT or KPMG direct.

- i. RFQ phase
  - Assist with administration and implementation of RFQ/QS evaluation process
  - Assist with review of questions from respondents to the RFQ



- Participate in periodic team calls
  - Other Project-related tasks directed by MDOT and/or KPMG to implement the procurement and Project
- ii. Document preparation and industry review phase
- Assist in drafting of Project Agreement documents from a commercial perspective.
  - Assist with development of RFP
  - Coordinate with and among co-consultants, including KPMG
  - Review and comment on technical provisions drafted by WSP
  - Participate in industry review process, including proposer workshops, one on one meetings, proposer Q&A and document revisions
  - Assistance with preparation of materials for presentations, briefings and other materials to senior staff, the Governor's Office and other stakeholders
  - Assistance in connection with any applications under SEP-15 and TIFIA (as well as other similar, related or new programs authorized under FASTER)
  - Participate in periodic team calls
  - Other Project-related tasks directed by MDOT and/or KPMG to implement the procurement and Project
- iii. RFP issuance/evaluation/award/commercial close
- Participate in post-RFP issuance procurement process, including proposer workshops, one on one meetings, alternative technical concept (ATC) review and approval process, review and response to proposer Q&A and document revisions (addenda)
  - Assist with development of RFP Evaluation Manual
  - Assist with training of MDOT personnel and, if relevant, consultant personnel on RFP/Proposal evaluation process and procedures
  - Assistance with administration and implementation of RFP/Proposal evaluation process
  - Assist with commercial negotiations with apparent best value Proposer and Contract finalization
  - Assist with Contract award and execution process/commercial close
  - Assist with Project start-up, including notices to proceed
  - Continue assistance in connection with any applications under SEP-15 and TIFIA (as well as other similar, related or new programs authorized under FASTER)
  - Coordinate with and among co-consultants, including KPMG
  - Participate in periodic team calls
  - Other Project-related tasks directed by MDOT and/or KPMG to implement the procurement and Project
- iv. Financial close phase
- Assist with any public-private partnership financing issues, including close of finance issues
  - Assist with documentation and closing of any public financing related to the Project or private activity bonds
  - Assist with any TIFIA closing, if applicable Coordinate with and among co-consultants, including KPMG
  - Participate in periodic team calls
  - Other Project-related tasks directed by MDOT and/or KPMG to implement the procurement and Project

In performing its services, Nossaman may bring to the attention of the Attorney General's Office potential issues under Michigan law; provided, however, Nossaman will not be responsible for any resolution or interpretation of Michigan law or for providing any legal opinions, including Michigan legal opinions.

## **2. Budget Extension**

Due to the increase in the scope of the subject Task Order, the total authorized budget is increased by \$3,000,000, of which:

- \$2,500,000 (inclusive of any direct non-salary reimbursement costs and the actual out-of-pocket expenses) is allocated for Nossaman (hourly rates provided in Appendix A); and

- \$500,000 for KPMG.

The State and MDOT shall not be obligated to pay for, and KPMG shall not be obligated to incur, hours or fees which exceed the total not-to-exceed price of this Amendment 1, as may be amended by the parties from time to time.

Appendix A – Hourly rates for Nossaman

<u>Provider</u>	<u>Billing Rate</u>
Corey Boock	\$575/hr
Elizabeth Cousins	\$575/hr
Margo Bennett	\$575/hr
Stephen Hardt	\$575/hr
Barney Allison	\$575/hr
Other Attorneys, as needed	\$575/hr
Paralegals, as needed	\$280/hr

Rates will be adjusted on each January 1, commencing with January 1, 2019 by increasing by 5% per annum (rounded to the nearest \$5 increment).

**Statement of Work for the Michigan Department of Transportation  
Financial and Commercial Advisory Services –  
Soo Locks  
Contract 071B9200123  
Change Notice 19**

KPMG Corporate Finance LLC ("KPMG") is pleased to submit this task order letter ("task order") to provide advisory services to Michigan Department of Transportation ("MDOT") with respect to options analysis for the delivery of upgrades to the Soo Locks.

This task order will form a purchase order under the contract between the State of Michigan and KPMG, contract number 071B9200123 and the related extension signed on October 24, 2017 (the "Contract"), and will confirm the basis upon which the State has engaged KPMG to provide advisory services for the Project. These tasks are highlighted in section 1.104.6 of the Contract. This task order will form the delivery order required pursuant to section 2.013(a) of the Contract for the services summarized above and described herein. This task order outlines our intended scope of work, our estimated fees, team structure, and terms of the engagement. This task order is subject to KPMG's standard client and engagement acceptance procedures.

**1. Background**

Soo Locks is a strategic asset to the State of Michigan and for the rest of the country, permitting waterborne commerce between Lake Superior and the other Great Lakes. There are four parallel locks in the Soo Locks but only two are currently in operation: the Poe Lock, used by vessels up to 1,100 feet in length and 105 feet in width, and the MacArthur Lock, used by tour and recreational boats and smaller freighters. The Davis Lock is rarely used and Sabin Lock, which would be the site of the new Poe-sized lock, is decommissioned. Of the two locks operational at the Soo Locks, the 47-year-old Poe is the only one large enough to handle the 1,000-foot freighters that move the bulk of cargo through the locks. Up to 70% of the freight being moved through the locks, much of it iron ore moving from mines in the Upper Midwest to steel mills elsewhere, are transported through the Poe.

The estimated economic impact of a 30-day unscheduled outage due to closure of the Soo Locks is approximately \$160 million and the State wishes to consider options available to the State to help facilitate the construction of the new lock both from funding and financing perspective.

**2. Services to be provided**

The scope of services involves assistance to MDOT with respect to both qualitative and quantitative analysis for the project. The State and MDOT have also requested that KPMG retain the services of CDM Smith for the benefit and at the direction of the State and MDOT to develop revenue forecasts in relation to the project and assist with the assessment of potential costs in relation to the delivery and operation of the project.

KPMG will work with MDOT to:

- Discuss a set of key project objectives against which all potential delivery and scope options will be evaluated
- Advise on strategy in relation to options available for the scoping and delivery of the project
- Develop of a potential governance structure for the project(s)
- Develop a high-level commercial structure option(s) for the project(s)
- Outline potential pros and cons for each of the options
- Identify funding/financing tools available for each option
- Assess capex required to build the improvements (incl. additional hydroelectric power block) (CDM Smith)
- Estimate potential revenues that could be derived from the additional power block
- Explore different user fee options (CDM Smith)
- Develop revenue forecast(s) under the various commercial structures and delivery options, as applicable
- Identify funding gap between any potential power (and other revenues) and the project costs
- Outline a potential path forward for the option selected

- Conduct high level financial analysis of the various delivery options to estimate potential project cost under each option to help MDOT assess overall affordability
- Participate in meetings with MDOT as requested.

**Deliverables:** (i) Qualitative assessment of different delivery and funding options, (ii) Revenue forecasts, (iii) High-level financial analysis results.

Commencement of this work is subject to receiving notice to proceed by MDOT. Tasks and deliverables will be further specified following coordination with MDOT.

### **3. Excluded Services**

The scope of the optional additional services will continue to exclude the following services:

- Accounting policy review or advice, including constituting acceptance, endorsement or approval of any accounting application or compliance with any accounting standard or requirement;
- Providing guidance on cost accounting activities related on-going operations of the Project;
- Audit or valuation of historical financial performance relating to subject assets;
- Tax advice including provision of a formal opinion, although KPMG will be pleased to discuss separate terms of engagement for these services if required;
- Audit or validation of the financial model provided by bidders for the Project. Recommendations arising from model outputs are the sole responsibility of State management to evaluate and implement;
- Preparation of cash flows for the deep sewer line and other technical projections required for project delivery, except as provided by the State; and
- Legal advice.

### **4. Engagement Team**

The team we expect to deliver these services includes:

Liam Kelly, QA/QC – Strategic advice  
George Spakouris, Core Team - Engagement lead  
Alex Seleznyov, Core Team - KPMG Engagement manager  
Prakash Ganesh – KPMG Core Team  
Dan Adelman – KPMG Core Team  
TBD – CDM Smith subcontractor – cost inputs  
TBD – CDM Smith subcontractor – revenue forecast  
Other resources as needed

If needed, KPMG will also rely on KPMG International Cooperative’s network of Member Firms to identify subject matter professionals who may bring international experience on similar projects.

California Accountancy Act – For engagements where services will be provided by the Contractor through offices located in California, the State acknowledges that certain of Contractor’s personnel who may be considered “owners” under the California Accountancy act and implementing regulations (California Business and Professions Code section 5079(a); 16 Cal. Code Regs. sections 51 and 51.1) and who may provide services in connection with this engagement, may not be licensed as certified public accountants under the laws of any of the various states.

### **5. Fees**

The State will compensate KPMG based on the established hourly rates. The anticipated fees for the services outlined above are estimated at \$300,000.

Any subsequent work will be delivered under separate task orders.

## **6. Use of Member Firms and Third Parties**

Use of member firms (“Member Firms”) includes references to member firms of KPMG International, other independent firms licensed by KPMG International to use the KPMG name and, in each case, firms controlled by them and third party service providers:

- a) The State acknowledges that in connection with the performance of services under this Task Order, KPMG and Member Firms, in their discretion or at State’s direction, may utilize the services of third party service providers within and without the United States to complete the services under this task order.
- b) KPMG uses third party service providers within and without the United States to provide at the direction of KPMG administrative and clerical services to the KPMG Parties. These third party service providers may in the performance of such services have limited access to information, including but not limited to Confidential Information, received by KPMG from or at the request or direction of the State. KPMG represents that each such third party service provider has agreed to conditions of confidentiality with respect to the State’s information to the same or similar extent as KPMG has agreed. KPMG has full responsibility to cause these third party service providers to comply with such conditions of confidentiality and KPMG shall be responsible for any consequences of their failure to comply.
- c) Accordingly, the State consents to KPMG’s disclosure to a Member Firm or third party service provider and the use by such Member Firm and third party service provider of data and information, including but not limited to Confidential Information, received from or at the request or direction of the State.
- d) Any services performed by a Member Firm, affiliate or third party service provider shall be performed in accordance with the terms of this task order and these Standard Terms and Conditions, but KPMG shall remain responsible to the State for the performance of such services. The State agrees that any claim relating to the services under this task order may only be made against KPMG and not any other Member Firm or third party service provider referred to above.

## **7. Intellectual Property, Third Party Use**

- a) KPMG shall retain ownership of any and all intellectual property rights in the product of KPMG’s services performed hereunder, whether oral or written, and ownership of KPMG’s work papers. The State shall acquire ownership of any product of the services performed in its tangible form upon payment in full of KPMG’s fees. For the purposes of delivering services to the State and other KPMG clients, KPMG and its related entities shall be entitled to use, develop or share with each other knowledge, experience and skills of general application gained through performing the services hereunder. Any advice rendered by KPMG pursuant to this task order, written or oral, will be solely for the information and use of the State and treated by the State as confidential and may not be disclosed in any manner to any other person without KPMG’s prior written approval.
- b) The advice, recommendations, work product, and deliverables provided as part of this task order will be developed for State management, and are not intended for use by any other party or for any other purpose, and may only be relied upon by State management and will be so marked. We disclaim any intention or obligation to update or revise the observations whether as a result of new information, future events or otherwise. Should additional documentation or other information become available which impacts upon the observations reached in our deliverables, we reserve the right to amend our observations and summary documents, including deliverables, accordingly

## **8. Other**

We will require the support of the State and associated personnel in order to achieve timely completion of the aforementioned services. Support includes, but is not limited to, the collection of all relevant documents (paper or electronic) and the scheduling of interviews and coordination of meetings.

The State will designate a management level individual to oversee the conduct of these services, including coordination of project resources needed and review of draft deliverables. State personnel assigned to the project will review draft deliverables on a timely basis.

Additionally, the State and its other advisers will provide KPMG with underlying cost data for the Project as appropriate.

KPMG's services as outlined in this task order constitute an advisory engagement conducted under the American Institute of Certified Public Accountants ("AICPA") Standards for Consulting Services. Such services are not intended to be an audit, examination, attestation, special report or agreed-upon procedures engagements as those services are defined in AICPA literature applicable to such engagements conducted by independent auditors. Accordingly, these services shall not result in the issuance of a written communication to third parties by KPMG directly reporting on financial data or internal control or expressing a conclusion or any other form of assurance.

It is understood and agreed that KPMG is not registered with the SEC as a municipal advisor and that the State is not asking KPMG to provide, and KPMG will not provide, any services to the State which would require registration as a municipal advisor, including but not limited to advice with respect to municipal financial products or the issuance of municipal securities. Accordingly, KPMG will not make recommendations relating to municipal financial products or the issuance of municipal securities, and KPMG will not owe a fiduciary duty to the State under Section 15B of the Securities Exchange Act of 1934. The State represents to KPMG that if the State desires municipal advisor services in connection with or related to the subject matter of this engagement, it will obtain such services from another party.

KPMG can offer no view or undertake any role that could be considered public policy advocacy or lobbying.

**Statement of work for the Michigan Department of Transportation**  
**Advisory Services –**  
**Freeway Lighting Partners**  
**Contract 071B9200123**  
**Change Notice 19**

KPMG Corporate Finance LLC ("KPMG") is pleased to submit this task order letter ("task order") to provide advisory services to Michigan Department of Transportation ("MDOT") with respect to contract administration and the development of payment mechanism model for the Freeway Lighting contract.

This task order will form a purchase order under the contract between the State of Michigan and KPMG, contract number 071B9200123 and the related extension signed on October 24, 2017 (the "Contract"), and will confirm the basis upon which the State has engaged KPMG to provide advisory services for the Project. These tasks are highlighted in section 1.104.6 of the Contract. This task order will form the delivery order required pursuant to section 2.013(a) of the Contract for the services summarized above and described herein. This task order outlines our intended scope of work, our estimated fees, team structure, and terms of the engagement. This task order is subject to KPMG's standard client and engagement acceptance procedures.

**1. Background**

MDOT has entered into a contract with Freeway Lighting Partners ("FLP") for the upgrade, operation and maintenance of their freeway lighting system in the Detroit Metro region. As the first payment under the contract is coming due, MDOT wishes to engage KPMG and its subcontractor Nossaman to provide additional contract and payment mechanism administration services for MDOT project staff.

**2. Services to be provided**

The scope of services involves ongoing assistance to MDOT with respect to the FLP contract management and administration, including calculating the first payment under the contract, developing the model to calculate future payments, and training MDOT staff to administer the contract throughout the Operations & Maintenance ("O&M") term. The State and MDOT have requested that KPMG retain the services of Nossaman for the benefit and at the direction of the State and MDOT to support these efforts.

KPMG, with support of its subcontractor Nossaman will work with MDOT to perform the following activities:

1. Prepare and deliver payment mechanism administration training workshop for MDOT staff and technical advisors including:
  - a. Calculation of first availability payment (including energy savings payment)
  - b. Overview of noncompliance point and deduction regime
  - c. Lane closures or Lane Rental Assessments
  - d. Timing of invoicing and payment
2. Develop a model to standardize calculation of periodic availability payments; and
3. Prepare and delivery a contract administration training workshop for MDOT staff and technical advisors focusing on the administration of FLP Contract during O&M Term including the following key provisions/areas:
  - e. General provisions impacting the O&M Work
  - f. Scope of O&M Work
  - g. Overview of monitoring and reporting requirements for O&M Term
  - h. Obligations to correct nonconforming work
  - i. Key personnel and subcontract requirements
  - j. Submittal and approval process for O&M Term documents
  - k. Handback requirements
  - l. Change orders
  - m. Dispute resolution

- n. Refinancing
- o. Restriction on assignment and transfer during O&M Term
- p. Performance and payment security during O&M Term
- q. Default remedies and termination
- r. Insurance
- s. Overview of management of potential claims, change orders and disputes – dos and don'ts
- t. Lessons learned from successful O&M Term contract administration

4. Additional ad hoc on-call support

### **3. MDOT Responsibilities**

At the conclusion of the engagement, KPMG can provide a working copy of the Model for your use. The Model should be provided to you as a “Deliverable”, subject to the following:

MDOT is solely responsible for the completeness and accuracy of input and resulting calculations and for the use of those calculations in any form or format and any judgments and business decisions based on its use of the Model. KPMG has no obligation to update the Model, regardless of any changes to relevant facts or tax or accounting laws, rules or regulations in the future. Any change in the Model made by MDOT or on its behalf shall relieve KPMG of any liability or responsibility under any circumstance relating to MDOT's use of the modified Model.

### **4. KPMG Responsibilities**

Our responsibilities are limited to the matters set out in the “Services to be Provided” section, and accordingly may not include any affirmation or attestation of the commercial merits, technical feasibility or compliance with FLP Project Agreement affecting the Model or the factual accuracy of the input data and the validity and completeness of the underlying assumptions. You further acknowledge that we cannot be held responsible for the model's output. MDOT takes full responsibility for the deployment and use of the Freeway Lighting Payment Mechanism model upon your client acceptance signoff as described in the “Deployment” phase above. Therefore, KPMG shall not be identified with respect to any aspects of the model following our engagement.

### **5. Excluded Services**

The scope of the optional additional services will continue to exclude the following services:

- Accounting policy review or advice, including constituting acceptance, endorsement or approval of any accounting application or compliance with any accounting standard or requirement;
- Providing guidance on cost accounting activities related on-going operations of the Project;
- Audit or valuation of historical financial performance relating to subject assets;
- Tax advice including provision of a formal opinion, although KPMG will be pleased to discuss separate terms of engagement for these services if required; and
- Legal advice.

### **6. Engagement Team**

The team we expect to deliver these services includes:

Liam Kelly, QA/QC – Strategic advice  
George Spakouris, Core Team - Engagement lead  
Alex Seleznyov, Core Team - KPMG Engagement manager  
Dan Adelman – KPMG Core Team  
Hugh Campbell – KPMG Core Team  
TBD – Nossaman subcontractor  
TBD – Nossaman subcontractor



Other resources as needed

If needed, KPMG will also rely on KPMG International Cooperative's network of Member Firms to identify subject matter professionals who may bring international experience on similar projects.

California Accountancy Act – For engagements where services will be provided by the Contractor through offices located in California, the State acknowledges that certain of Contractor's personnel who may be considered "owners" under the California Accountancy act and implementing regulations (California Business and Professions Code section 5079(a); 16 Cal. Code Regs. sections 51 and 51.1) and who may provide services in connection with this engagement, may not be licensed as certified public accountants under the laws of any of the various states.

## **7. Fees**

The State will compensate KPMG and Nossaman based on the established hourly rates. The initial budget ceiling for tasks 1 through 4 outlined above are as follows:

Task 1

- KPMG - \$25,000
- Nossaman - \$10,000

Task 2

- KPMG - \$30,000
- Nossaman – N/A

Task 3

- KPMG - \$20,000
- Nossaman - \$65,000

Task 4

- KPMG - \$25,000
- Nossaman - \$25,000

The total proposed budget ceiling for all four tasks is estimated at \$100,000 for KPMG and \$100,000 for Nossaman.

Any subsequent work will be delivered under separate task orders.

## **8. Use of Member Firms and Third Parties**

Use of member firms ("Member Firms") includes references to member firms of KPMG International, other independent firms licensed by KPMG International to use the KPMG name and, in each case, firms controlled by them and third party service providers:

- a) The State acknowledges that in connection with the performance of services under this Task Order, KPMG and Member Firms, in their discretion or at State's direction, may utilize the services of third party service providers within and without the United States to complete the services under this task order.
- b) KPMG uses third party service providers within and without the United States to provide at the direction of KPMG administrative and clerical services to the KPMG Parties. These third party service providers may in the performance of such services have limited access to information, including but not limited to Confidential Information, received by KPMG from or at the request or direction of the State. KPMG represents that each such third party service provider has agreed to conditions of confidentiality with respect to the State's information to the same or similar extent as KPMG has agreed. KPMG has full responsibility to cause these third party service providers to comply with such conditions of confidentiality and KPMG shall be responsible for any consequences of their failure to comply.

- c) Accordingly, the State consents to KPMG's disclosure to a Member Firm or third party service provider and the use by such Member Firm and third party service provider of data and information, including but not limited to Confidential Information, received from or at the request or direction of the State.
- d) Any services performed by a Member Firm, affiliate or third party service provider shall be performed in accordance with the terms of this task order and these Standard Terms and Conditions, but KPMG shall remain responsible to the State for the performance of such services. The State agrees that any claim relating to the services under this task order may only be made against KPMG and not any other Member Firm or third party service provider referred to above.

## **9. Intellectual Property, Third Party Use**

- a) KPMG shall retain ownership of any and all intellectual property rights in the product of KPMG's services performed hereunder, whether oral or written, and ownership of KPMG's work papers. The State shall acquire ownership of any product of the services performed in its tangible form upon payment in full of KPMG's fees. For the purposes of delivering services to the State and other KPMG clients, KPMG and its related entities shall be entitled to use, develop or share with each other knowledge, experience and skills of general application gained through performing the services hereunder. Any advice rendered by KPMG pursuant to this task order, written or oral, will be solely for the information and use of the State and treated by the State as confidential and may not be disclosed in any manner to any other person without KPMG's prior written approval.
- b) The advice, recommendations, work product, and deliverables provided as part of this task order will be developed for State management, and are not intended for use by any other party or for any other purpose, and may only be relied upon by State management and will be so marked. We disclaim any intention or obligation to update or revise the observations whether as a result of new information, future events or otherwise. Should additional documentation or other information become available which impacts upon the observations reached in our deliverables, we reserve the right to amend our observations and summary documents, including deliverables, accordingly

## **10. Other**

We will require the support of the State and associated personnel in order to achieve timely completion of the aforementioned services. Support includes, but is not limited to, the collection of all relevant documents (paper or electronic) and the scheduling of interviews and coordination of meetings.

The State will designate a management level individual to oversee the conduct of these services, including coordination of project resources needed and review of draft deliverables. State personnel assigned to the project will review draft deliverables on a timely basis.

Additionally, the State and its other advisers will provide KPMG with underlying cost data for the Project as appropriate.

KPMG's services as outlined in this task order constitute an advisory engagement conducted under the American Institute of Certified Public Accountants ("AICPA") Standards for Consulting Services. Such services are not intended to be an audit, examination, attestation, special report or agreed-upon procedures engagements as those services are defined in AICPA literature applicable to such engagements conducted by independent auditors. Accordingly, these services shall not result in the issuance of a written communication to third parties by KPMG directly reporting on financial data or internal control or expressing a conclusion or any other form of assurance.

It is understood and agreed that KPMG is not registered with the SEC as a municipal advisor and that the State is not asking KPMG to provide, and KPMG will not provide, any services to the State which would require registration as a municipal advisor, including but not limited to advice with respect to municipal financial products or the issuance of municipal securities. Accordingly, KPMG will not make recommendations relating to municipal financial

products or the issuance of municipal securities, and KPMG will not owe a fiduciary duty to the State under Section 15B of the Securities Exchange Act of 1934. The State represents to KPMG that if the State desires municipal advisor services in connection with or related to the subject matter of this engagement, it will obtain such services from another party.

KPMG can offer no view or undertake any role that could be considered public policy advocacy or lobbying.

This engagement letter will be incorporated by reference into the contract.



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

**CONTRACT CHANGE NOTICE**

Change Notice Number **18**

to

Contract Number **071B9200123**

<b>CONTRACTOR</b>	KPMG Corporate Finance, LLC
	303 East Wacker Drive
	Chicago, IL 60601
	Liam Kelly
	(312) 665-1204
	liamkelly@kpmg.com
*****0734	

<b>STATE</b>	<b>Program Manager</b>	Tim Hoeffner	SW
		517-373-6672	
		hoeffnert@michigan.gov	
	<b>Contract Administrator</b>	Jillian Yeates	DTMB
		(517) 284-7019	
		yeatesj@michigan.gov	

**CONTRACT SUMMARY**

**FINANCIAL & STRATEGIC CONSULTING SERVICES**

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 5, 2009	January 4, 2012	3 - 1 Year	August 3, 2018
PAYMENT TERMS		DELIVERY TIMEFRAME	
2% 30 – Net 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-Card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**MINIMUM DELIVERY REQUIREMENTS**

N/A

**DESCRIPTION OF CHANGE NOTICE**

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input checked="" type="checkbox"/>	6 Months	February 3, 2019
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE		
\$15,330,500.00	\$4,000,000.00	\$19,330,500.00		

**DESCRIPTION**

Effective October 24, 2017:

1. This Contract is extended 6 months and is increased by \$4,000,000.00. The revised contract expiration date is February 3, 2019.
2. All references to "Purchase Order(s)" for new requests will hereinafter be referred to as "Delivery Order(s)", (e.g. Section 2.013(a), 2.031, 2.061(a)).
3. Please note, the Program Manager has been changed to Tim Hoeffner (Section 2.015).

All other terms, conditions, specifications, and pricing remain the same. Per contractor and agency agreement, DTMB-Procurement approval, and State Administrative Board approval on October 24, 2017.



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

**CONTRACT CHANGE NOTICE**

Change Notice Number 17  
 to  
 Contract Number 071B9200123

<b>CONTRACTOR</b>	KPMG Corporate Finance, LLC
	303 East Wacker Drive
	Chicago, IL 60601
	Liam Kelly
	(312) 665-1204
	liamkelly@kpmg.com
*****0734	

<b>STATE</b>	<b>Program Manager</b>	Joe Pavona	SW
		517-373-9571	
		PavonaJ2@Michigan.gov	
	<b>Contract Administrator</b>	Jillian Yeates	DTMB
		(517) 284-7019	
		yeatesj@michigan.gov	

**CONTRACT SUMMARY**

**FINANCIAL & STRATEGIC CONSULTING SERVICES**

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 5, 2009	January 4, 2012	3 - 1 Year	August 3, 2018
PAYMENT TERMS		DELIVERY TIMEFRAME	
2% 30 – Net 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-Card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**MINIMUM DELIVERY REQUIREMENTS**

N/A

**DESCRIPTION OF CHANGE NOTICE**

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE		
\$14,930,500.00	\$400,000.00	\$15,330,500.00		

**DESCRIPTION**

Effective September 15, 2017, this Contract is increased by \$400,000.00 for Statewide use. All other terms, conditions, specifications and pricing remain the same. Per contractor and agency agreement, and DTMB Procurement approval.



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

**CONTRACT CHANGE NOTICE**

Change Notice Number **16**  
 to  
 Contract Number **071B9200123**

<b>CONTRACTOR</b>	KPMG Corporate Finance, LLC
	303 East Wacker Drive
	Chicago, IL 60601
	Liam Kelly
	(312) 665-1204
	liamkelly@kpmg.com
*****0734	

<b>STATE</b>	<b>Program Manager</b>	Joe Pavona	SW
		517-373-9571	
		PavonaJ2@Michigan.gov	
	<b>Contract Administrator</b>	Jillian Yeates	DTMB
		(517) 284-7019	
		yeatesj@michigan.gov	

**CONTRACT SUMMARY**

FINANCIAL & STRATEGIC CONSULTING SERVICES			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 5, 2009	January 4, 2012	3 - 1 Year	August 3, 2018
PAYMENT TERMS		DELIVERY TIMEFRAME	
2 Net 30; Net 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-Card	<input type="checkbox"/> Direct Voucher (DV)	<input type="checkbox"/> Other	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**MINIMUM DELIVERY REQUIREMENTS**  
 N/A

**DESCRIPTION OF CHANGE NOTICE**

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE		
\$14,930,500.00	\$0.00	\$14,930,500.00		

**DESCRIPTION**

Effective May 23, 2017 the following amendments are hereby incorporated into the contract per attached statement of work for the Michigan Department of Transportation. All other terms, conditions, specifications, and pricing remain the same. Per vendor and agency agreement, and DTMB Procurement approval.

**Statement of Work for Michigan Department of Transportation  
Financial and Commercial Advisory Services –  
Michigan Regional Infrastructure Asset Management Pilot Project Framework  
Contract 071B9200123  
Change Notice 16**

KPMG Corporate Finance LLC ("KPMG") is pleased to submit this task order letter ("task order") to provide advisory services to help the Governor's Office develop their Regional Infrastructure Asset Management Pilot Project.

This task order will form a purchase order under the contract between the State of Michigan and KPMG, contract number 071B9200123 and the related extension signed on July 13, 2016 (the "Contract"), and will confirm the basis upon which the State has engaged KPMG to provide advisory services for the Project. These tasks are highlighted in section 1.104.6 of the Contract. This task order will form the statement of work required pursuant to section 2.013 of the Contract for the services summarized above and described herein. This task order outlines our intended scope of work, our estimated fees, team structure, and terms of the engagement. This task order is subject to KPMG's standard client and engagement acceptance procedures and to paragraph 2.210 of the Contract.

**1. Background**

The State of Michigan ("State") has been working to identify a more strategic way to manage infrastructure assets which, ultimately, will result in better informed decisions regarding the management of the State's assets. The final report of the 21<sup>st</sup> Century Infrastructure Commission, delivered in November 2016, included a number of recommendations, one of which was to establish a regional asset management pilot ("pilot") covering a number of the Prosperity Regions within Michigan. The main aim of these pilots is to agree upon the required processes and data, and to put forward recommendations on how the state can develop and operationalize a statewide comprehensive asset management database and IT system.

**2. Services to be provided**

The scope of services involves the provision of assistance to the Governor's Office and the Infrastructure Advisory Board ("Advisory Board") and also to the two Stakeholder/Pilot Groups with respect to assisting in the management of the pilot project and the provision of municipal asset management advisory support.

The planned tasks are as follows:

**Governor's Office and Advisory Board Tasks**

Task #	Task	Content	Key Deliverables
1	Project management Support	<ul style="list-style-type: none"> <li>• Work with the Governor's Office to develop project framework and workplan, including key milestones, objectives and deliverables.</li> <li>• Assist in tracking progress relative to milestones, objectives and deliverables.</li> <li>• Provide general project management support to the Advisory Board, including:               <ul style="list-style-type: none"> <li>○ Facilitate conversations with Advisory Board to help solidify plan.</li> <li>○ Attend Advisory Board meetings.</li> <li>○ Assist in planning of Advisory Board meetings</li> <li>○ Provide updates at meetings with Advisory Board.</li> </ul> </li> <li>• Develop Communications Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Project Workplan</li> <li>• Communications Plan</li> <li>• Presentation material for Advisory Board and Stakeholder Team meetings</li> </ul>

Task #	Task	Content	Key Deliverables
2	Inventory of key high level asset management processes and opportunities	<ul style="list-style-type: none"> <li>• Prior to the identification of asset data requirements (and the subsequent enabling IT systems) assist the Advisory Board to identify the key asset management business processes that will form the foundation of the agreed asset management approach for the state (i.e. TAMC, SAW, drinking water permits, etc.)</li> <li>• Develop an understanding of areas of opportunity and need for asset management planning.</li> <li>• Subsequently, work with Stakeholder Team to identify the high level processes that would then be further detailed and necessary in the Pilot.</li> </ul>	<ul style="list-style-type: none"> <li>• Presentations for Advisory Board Team meetings</li> </ul>
3	Identify leading practices, opportunities, and gaps	<ul style="list-style-type: none"> <li>• Identify leading practices and key technological opportunities, with regard to municipal asset management</li> <li>• Identify funding needs and data gaps within the Pilot areas.</li> <li>• Identify potential state and local initiatives to leverage that can assist in advancing the objectives of the pilot.</li> <li>• Provide input on the development and review of informational documents and reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Report Sections – see 4 below</li> </ul>
4	Pilot Results	<ul style="list-style-type: none"> <li>• Advice and provide recommendation on the structure of the Pilot, so that the results will be transferrable on a larger, statewide scale.</li> <li>• Work with Governor’s Office and key regional leads to develop final recommendations and final report.</li> </ul>	<ul style="list-style-type: none"> <li>• Contribute to the final Project report</li> </ul>



## Stakeholder Pilot Team Tasks

Task #	Task	Content	Key Deliverables
5	Plan, convene, and facilitate coordination with regions	<ul style="list-style-type: none"> <li>• Support efforts to plan, convene, and facilitate coordination with regions; act as a conduit between the regional areas, the executive office and state agencies to help achieve milestones, deliverables, and documented approaches scalable to the remainder of the state following the Pilot.</li> <li>• Provide a consistent status view of the current state of asset management in each of the pilot regions.</li> <li>• Provide a baseline upon which the organization can build an action plan to address key gaps and monitor progress over time, focusing initially on the key improvement areas over the next 12 months.</li> <li>• Assist in the development of a medium and longer term improvement initiatives/Asset Management Roadmap which sets out the steps the organization needs to take in to evolve into a fully competent asset management organization.</li> </ul>	<ul style="list-style-type: none"> <li>• Presentations for use at Steering Committee Meetings.</li> <li>• Asset Management Assessment results – to be included in Final Report (See 4 above)</li> <li>• Asset Management Roadmap - to be included in Final Report (See 4 above)</li> </ul>
6	Asset Information Strategy, Data Standards & Data Improvement Plan	<ul style="list-style-type: none"> <li>• Work with the Stakeholder Pilot Team to help them determine what data they have already and what they need to support the asset management processes.</li> <li>• Identify a core set of data elements that enable tracking and assessment of investments, management actions, asset status, desired outcomes, and measured service-level goals of improved system ratings toward specific targets. Common data elements and performance measures will allow integration of decision making, and therefore should be a priority.</li> <li>• Assist the Stakeholder Pilot Team with determining Data Confidence ratings, made up of Data Reliability &amp; Data Accuracy.</li> <li>• Develop approaches for assigning importance rating scales for asset data.</li> <li>• Agree on the granularity for asset reporting e.g. Facility V Equipment.</li> </ul>	<ul style="list-style-type: none"> <li>• Presentations for use at Steering Committee Meetings</li> <li>• Asset Data Assessment and recommendations - to be included in Final Report (See 4 above)</li> </ul>
7	Private Involvement	<ul style="list-style-type: none"> <li>• Identify strategies for obtaining private stakeholder involvement and data necessary to advance the public and private objectives of the pilot.</li> </ul>	<ul style="list-style-type: none"> <li>• Meeting agenda's and summary outputs - to be included in Final Report (See 4 above)</li> </ul>
8	Asset Management IT System Functional Requirements	<ul style="list-style-type: none"> <li>• Work with the Stakeholder Team to capture the required functionality that the future IT system will provide.</li> <li>• Categorize requirements e.g. Essential, Conditional, Optional.</li> <li>• Develop suggestions for additional functions a statewide system may benefit from, including business analytics,</li> </ul>	<ul style="list-style-type: none"> <li>• Presentations for use at Steering Committee Meetings</li> <li>• IT Functional requirements and recommendations - to be included in Final Report (See 4 above)</li> </ul>

Task #	Task	Content	Key Deliverables
		<p>intelligence and decision-making tools as well as how to provide a user-friendly interface where a snapshot of state, regional, and local system performance can be viewed by the public.</p> <ul style="list-style-type: none"> <li>• Assist Pilot areas with gaining a basic knowledge of triple-bottom-line and lifecycle analysis principals, with the aim of incorporating these philosophies into the evaluation and planning of infrastructure investments.</li> <li>• Where possible, identify examples that demonstrate the benefits and opportunities which will be brought about through the shift in thinking i.e. by identifying a whole life cost approach as opposed to a lowest capital/initial cost.</li> <li>• Evaluate and/or develop processes to secure information as necessary to protect public health and safety. Database development should enable the collection, management, integration, analysis of relevant data, and delivery of useful and appropriately secure information to decision makers. Pilot leaders should also recognize that commercially sensitive information may be requested from private entities, and work with such stakeholders to determine the best way to achieve maximum participation.</li> </ul>	<ul style="list-style-type: none"> <li>• Review of Lifecycle analysis approaches - to be included in Final Report (See 4 above)</li> </ul>
9	Assess Asset Management IT Systems Options	<ul style="list-style-type: none"> <li>• Develop ranking system for assessing potential system alternatives against the functional requirements.</li> <li>• Assist the Stakeholder Team with market research, solution selection, and potential demo of system(s).</li> <li>• Criteria for the system to include the collection, management, integration, interoperability, and analysis of relevant data.</li> </ul>	<ul style="list-style-type: none"> <li>• Presentations for use at Steering Committee Meetings</li> <li>• Review of available IT Systems - to be included in Final Report (See 4 above)</li> </ul>
10	Identify training needs and estimated costs	<ul style="list-style-type: none"> <li>• Assist the pilot leaders in the identification of training needs, required to develop proficiency, utilizing a multi-asset management system, along with the training required to identify asset system condition based on a statewide asset condition measure (per asset class, similar to training and standards utilized by the TAMC for the collection of PASER data for the road system).</li> </ul>	<ul style="list-style-type: none"> <li>• Presentations for use at Steering Committee Meetings</li> <li>• Review of training needs - to be included in Final Report (See 4 above)</li> </ul>
11	Investigate planning efforts	<ul style="list-style-type: none"> <li>• Investigate ways of leveraging infrastructure asset management planning efforts into other local and regional planning efforts such as master land use plans and capital improvement plans to help identify areas affected by service gaps, excess capacity and other collaborative right-sizing opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>• Review of other infrastructure planning efforts - to be included in Final Report (See 4 above)</li> </ul>

Task #	Task	Content	Key Deliverables
12	Asset Management Governance within the Pilot Organizations	<ul style="list-style-type: none"> <li>Review current Corporate Asset Management governance frameworks, both with regard to the development of asset management programs and for the long term sustainment of the improved asset management practices.</li> <li>Work with the pilot organizations to review asset management governance arrangements in similar sized organizations and assist them put in selecting a suitable governance structure.</li> </ul>	<ul style="list-style-type: none"> <li>Presentations for use at Steering Committee Meetings</li> <li>Review of current Corporate Asset Management Governance approaches and assist in selecting an appropriate Governance Framework - to be included in Final Report (See 4 above)</li> </ul>

### **3. Excluded Services**

The scope of the optional additional services will continue to exclude the following services:

- Accounting policy review or advice, including constituting acceptance, endorsement or approval of any accounting application or compliance with any accounting standard or requirement;
- Providing guidance on cost accounting activities;
- Audit or valuation of historical financial performance;
- Tax advice including provision of a formal opinion, although KPMG will be pleased to discuss separate terms of engagement for these services if required; and
- Legal advice.

### **4. Engagement Team**

The team we expect to deliver these services includes:

- Liam Kelly, Engagement Deliverables QA/QC
- Gareth Lifton, KPMG Project Manager & Engagement lead
- Elaine Taylor, KPMG Engagement team member
- Raj Shelat, KPMG Engagement team member
- Jeff Gallart, KPMG Engagement team member
- Other resources as needed

If needed, KPMG will also rely on KPMG International Cooperative's network of Member Firms to identify subject matter professionals who may bring international experience on similar projects.

California Accountancy Act – For engagements where services will be provided by the Contractor through offices located in California, the State acknowledges that certain of Contractor's personnel who may be considered "owners" under the California Accountancy act and implementing regulations (California Business and Professions Code section 5079(a); 16 Cal. Code Regs. sections 51 and 51.1) and who may provide services in connection with this engagement, may not be licensed as certified public accountants under the laws of any of the various states.

### **5. Fees**

The State will compensate KPMG based on the established contractual hourly rates. The anticipated fees for the services outlined above are as follows:

- Tasks 1 - 4 - \$220,000
- Tasks 6 - 12 – \$280,000
- Total – \$500,000

The target date for completion of all tasks is April 30, 2018, but it is subject to factors such availability of the necessary information, availability of the Governor's Office, the Advisory Board's, and Stakeholder Teams' leadership, and requests for additional analysis.

Any subsequent work will be delivered under separate task orders.

## **6. Use of Member Firms and Third Parties**

Use of member firms (“Member Firms”) includes references to member firms of KPMG International, other independent firms licensed by KPMG International to use the KPMG name and, in each case, firms controlled by them and third party service providers:

- a) The State acknowledges that in connection with the performance of services under this Task Order, KPMG and Member Firms, in their discretion or at State’s direction, may utilize the services of third party service providers within and without the United States to complete the services under this task order.
- b) KPMG uses third party service providers within and without the United States to provide at the direction of KPMG administrative and clerical services to the KPMG Parties. These third party service providers may in the performance of such services have limited access to information, including but not limited to Confidential Information, received by KPMG from or at the request or direction of the State. KPMG represents that each such third party service provider has agreed to conditions of confidentiality with respect to the State’s information to the same or similar extent as KPMG has agreed. KPMG has full responsibility to cause these third party service providers to comply with such conditions of confidentiality and KPMG shall be responsible for any consequences of their failure to comply.
- c) Accordingly, the State consents to KPMG’s disclosure to a Member Firm or third party service provider and the use by such Member Firm and third party service provider of data and information, including but not limited to Confidential Information, received from or at the request or direction of the State.
- d) Any services performed by a Member Firm, affiliate or third party service provider shall be performed in accordance with the terms of this task order and these Standard Terms and Conditions, but KPMG shall remain responsible to the State for the performance of such services. The State agrees that any claim relating to the services under this task order may only be made against KPMG and not any other Member Firm or third party service provider referred to above.

## **7. Intellectual Property, Third Party Use**

- a) KPMG shall retain ownership of any and all intellectual property rights in the product of KPMG’s services performed hereunder, whether oral or written, and ownership of KPMG’s work papers. The State shall acquire ownership of any product of the services performed in its tangible form upon payment in full of KPMG’s fees. For the purposes of delivering services to the State and other KPMG clients, KPMG and its related entities shall be entitled to use, develop or share with each other knowledge, experience and skills of general application gained through performing the services hereunder. Any advice rendered by KPMG pursuant to this task order, written or oral, will be solely for the information and use of the State and treated by the State as confidential and may not be disclosed in any manner to any other person without KPMG’s prior written approval.
- b) The advice, recommendations, work product, and deliverables provided as part of this task order will be developed for State management, and are not intended for use by any other party or for any other purpose, and may only be relied upon by State management and will be so marked. We disclaim any intention or obligation to update or revise the observations whether as a result of new information, future events or otherwise. Should additional documentation or other information become available which impacts upon the observations reached in our deliverables, we reserve the right to amend our observations and summary documents, including deliverables, accordingly

## **8. Other**

We will require the support of the State and associated personnel in order to achieve timely completion of the aforementioned services. Support includes, but is not limited to, the collection of all relevant documents (paper or electronic) and the scheduling of interviews and coordination of meetings.

The State will designate a management level individual to oversee the conduct of these services, including coordination of project resources needed and review of draft deliverables. State personnel assigned to the project will review draft deliverables on a timely basis.

Additionally, the State and its other advisers will provide KPMG with underlying cost data for the Project as appropriate. If the foregoing correctly sets forth the agreement between the State and KPMG, please sign and return the enclosed copy of this proposal letter. If you have any questions with regard to our proposal, please reach out to me at your convenience.

KPMG's services as outlined in this task order constitute an advisory engagement conducted under the American Institute of Certified Public Accountants ("AICPA") Standards for Consulting Services. Such services are not intended to be an audit, examination, attestation, special report or agreed-upon procedures engagements as those services are defined in AICPA literature applicable to such engagements conducted by independent auditors. Accordingly, these services shall not result in the issuance of a written communication to third parties by KPMG directly reporting on financial data or internal control or expressing a conclusion or any other form of assurance.

It is understood and agreed that KPMG is not registered with the SEC as a municipal advisor and that the State is not asking KPMG to provide, and KPMG will not provide, any services to the State which would require registration as a municipal advisor, including but not limited to advice with respect to municipal financial products or the issuance of municipal securities. Accordingly, KPMG will not make recommendations relating to municipal financial products or the issuance of municipal securities, and KPMG will not owe a fiduciary duty to the State under Section 15B of the Securities Exchange Act of 1934. The State represents to KPMG that if the State desires municipal advisor services in connection with or related to the subject matter of this engagement, it will obtain such services from another party.

KPMG can offer no view or undertake any role that could be considered public policy advocacy or lobbying.

This engagement letter will be incorporated by reference into the contract.

**Statement of Work for Michigan Department of Transportation  
Financial and Commercial Advisory Services – I-75 Modernization Project  
Contract 071B9200123  
Change Notice 16**

KPMG Corporate Finance LLC ("KPMG") is pleased to submit this task order letter ("task order") to provide advisory services to help the Michigan Department of Transportation ("MDOT") to provide strategic advice with respect to options analysis for the delivery of a number of project segments, including a deep sewer tunnel along the I-75 corridor.

This task order will form a purchase order under the contract between the State of Michigan and KPMG, contract number 071B9200123 and the related extension signed on July 16, 2016 (the "Contract"), and will confirm the basis upon which the State has engaged KPMG to provide advisory services for the Project. These tasks are highlighted in section 1.104.6 of the Contract. This task order will form the statement of work required pursuant to section 2.013 of the Contract for the services summarized above and described herein. This task order outlines our intended scope of work, our estimated fees, team structure, and terms of the engagement. This task order is subject to KPMG's standard client and engagement acceptance procedures and to paragraph 2.210 of the Contract.

**1. Background**

MDOT have been working to address the needed improvements along the I-75 corridor from North of Coolidge Road to North of 8 Mile Road via the I-75 Modernization Project. A financial plan has been developed for delivery of the improvements over 15 years (2016 to 2030).

The project includes highway improvements as well as a deep sewer tunnel. MDOT has initiated the procurement of small portion of the project, but is interested in assessing potential options that could allow the acceleration of the delivery of the remaining sections, spreading repayment of initial investment over a longer period of time, generating efficiencies, leveraging specialized sector know how and transfer long term risk.

KPMG has performed a high level qualitative and quantitative delivery options analysis for the Project and has assisted MDOT to conduct a market sounding to test potential delivery and packaging options with industry participants. The delivery options analyzed ranged from DBB to DBFOM. Based on the results of the options analysis and market sounding results, MDOT is interested in assessing further the whole life implications of DBF(O)M type of options from a risk and financial perspective, in comparison to the current corridor improvement plan.

**2. Services to be provided**

The scope of this work order involves assistance to MDOT with respect to assessment of whole life implications and project development and procurement. The work will be implemented using a phased approach, where KPMG would solicit approval from MDOT prior to the commencement of each of the two project phases.

More specifically the scope of work includes:

**Phase I – Whole life implications assessment**

- Help facilitate risk workshop sessions in conjunction with the Client and its technical advisors;
- Assist the Client in updating and compiling a risk matrix that reflects critical commercial considerations;
- Support the Client and its technical staff on risk quantification considerations;
- Work with the Client to identify the critical commercial structure and governance implications of a DBF(O)M type of delivery option and to receive feedback from AG's Office;
- Work with the Client and its technical advisor to define project scope, estimates of capital and on-going costs including the one proposed pump station within the project limits, project delivery timeline, and financial inputs for a traditional vs more integrated project delivery;
- Review cost inputs developed by the Client or its technical advisor;
- Provide summary of potential impacts regarding P3 legislation
- Advise on the development of different financial analysis scenarios;
- Perform a high level value for money analysis comparing the risk-adjusted whole life cost of the project a traditional vs more integrated project delivery;
- Assist with the drafting of elements of a potential RFQ.

**Deliverable:** Financial analysis results, a summary and final presentation with the analysis.

### **Phase II – Project development & procurement (Optional)**

KPMG will work with MDOT to:

- Advise on the development of RFQ sections for the project in coordination with MDOT and its legal and technical advisors.  
Assist in answering clarification questions
- Support the RFQ evaluation process
- Advise on the development of draft ITP and RFP sections for the project in coordination with MDOT and its legal and technical advisors
- Advise MDOT on potential RFQ, ITP and RFP updates
- Advise MDOT on potential federal credit assistance applications
- Support MDOT in its negotiations with shortlisted teams
- Perform financial analysis to assess the impact of different financial and commercial terms
- Assist MDOT in the evaluation of financial proposals
- Support MDOT on the commercial and financial close activities

**Deliverable:** Financial analysis results, comments on procurement documents, financial proposal summary.

### **3. Excluded Services**

The scope of the optional additional services will continue to exclude the following services:

- Accounting policy review or advice, including constituting acceptance, endorsement or approval of any accounting application or compliance with any accounting standard or requirement;
- Providing guidance on cost accounting activities related on-going operations of the Project;
- Audit or valuation of historical financial performance relating to subject deep sewer line assets;
- Tax advice including provision of a formal opinion, although KPMG will be pleased to discuss separate terms of engagement for these services if required;
- Audit or validation of the financial model provided by bidders for the Project. Recommendations arising from model outputs are the sole responsibility of State management to evaluate and implement;
- Preparation of cash flows for the deep sewer line and other technical projections required for project delivery, except as provided by the State; and
- Legal advice.

### **4. Engagement Team**

The team we expect to deliver these services includes:

Liam Kelly, QA/QC – Strategic advice  
George Spakouris, Core Team – KPMG Engagement lead  
Alex Seleznyov, Core Team - KPMG Engagement manager  
Shesi Xie, Core Team - KPMG Engagement team member  
Michael Benouaich - KPMG Engagement team member/Risk analysis and whole life assessment  
Rolando Amaya - KPMG Engagement team member/Risk analysis and whole life assessment  
Other resources as needed

If needed, KPMG will also rely on KPMG International Cooperative's network of Member Firms to identify subject matter professionals who may bring international experience on similar projects.

California Accountancy Act – For engagements where services will be provided by the Contractor through offices located in California, the State acknowledges that certain of Contractor's personnel who may be considered "owners" under the California Accountancy act and implementing regulations (California Business and Professions Code section 5079(a); 16 Cal. Code Regs. sections 51 and 51.1) and who may provide services in connection with this engagement, may not be licensed as certified public accountants under the laws of any of the various states.

### **5. Expected Fees**

The State will compensate KPMG based on the established hourly rates. The anticipated fees for the services for Phase outlined above are as follows:

- Phase I - \$245,000, payable on a monthly basis.
- Phase II – \$1,750,000, payable on a monthly basis. As an alternative option, MDOT, prior to the commencement of this phase, may elect to compensate KPMG based upon hours incurred at 110% of the established contractual hourly rates for an estimated project budget of \$1,925,000, assuming 14 months of anticipated work. The State will pay invoices at half (50%) of the established contractual hourly rate on a monthly basis based on actual time incurred during each month during the duration of the implementation of the Project, and the difference between the actual fees accrued and the amount invoiced will be deferred until it becomes payable at the earlier of financial close, project cancellation, or 90 days of inactivity on the Project.

The target date for completion of the work under Phase I is mid June 2017, but it is subject to factors such availability of the necessary information, availability of senior MDOT management, and requests for additional analysis/scenarios.

Phase II commencement of work is subject to internal reviews and approvals by MDOT, DTMB and KPMG. For Phase II, the final level of effort may vary based on a series of parameters, including, but not limited to, level of risk transfer, number of respondents, number of shortlisted proposers, rounds of one on one discussions with shortlisted proposers, and applications of federal credit programs. To be further refined based on the Project to be procured, as well as on the delivery options selected

Any subsequent work will be delivered under separate task orders.

## **6. Use of Member Firms and Third Parties**

Use of member firms (“Member Firms”) includes references to member firms of KPMG International, other independent firms licensed by KPMG International to use the KPMG name and, in each case, firms controlled by them and third party service providers:

- a) The State acknowledges that in connection with the performance of services under this Task Order, KPMG and Member Firms, in their discretion or at State’s direction, may utilize the services of third party service providers within and without the United States to complete the services under this task order.
- b) KPMG uses third party service providers within and without the United States to provide at the direction of KPMG administrative and clerical services to the KPMG Parties. These third party service providers may in the performance of such services have limited access to information, including but not limited to Confidential Information, received by KPMG from or at the request or direction of the State. KPMG represents that each such third party service provider has agreed to conditions of confidentiality with respect to the State’s information to the same or similar extent as KPMG has agreed. KPMG has full responsibility to cause these third party service providers to comply with such conditions of confidentiality and KPMG shall be responsible for any consequences of their failure to comply.
- c) Accordingly, the State consents to KPMG’s disclosure to a Member Firm or third party service provider and the use by such Member Firm and third party service provider of data and information, including but not limited to Confidential Information, received from or at the request or direction of the State.
- d) Any services performed by a Member Firm, affiliate or third party service provider shall be performed in accordance with the terms of this task order and these Standard Terms and Conditions, but KPMG shall remain responsible to the State for the performance of such services. The State agrees that any claim relating to the services under this task order may only be made against KPMG and not any other Member Firm or third party service provider referred to above.

## **7. Intellectual Property, Third Party Use**

- a) KPMG shall retain ownership of any and all intellectual property rights in the product of KPMG’s services performed hereunder, whether oral or written, and ownership of KPMG’s work papers. The State shall acquire ownership of any product of the services performed in its tangible form upon payment in full of KPMG’s fees. For the purposes of delivering services to the State and other KPMG clients, KPMG and its related entities shall be entitled to use, develop or share with each other knowledge, experience and skills of general application gained through performing the services hereunder. Any advice rendered by KPMG pursuant to this task order, written or oral, will be solely for the information and use of the State and treated by the State as confidential and may not be disclosed in any manner to any other person without KPMG’s prior written approval.
- b) The advice, recommendations, work product, and deliverables provided as part of this task order will be developed for State management, and are not intended for use by any other party or for any other purpose, and may only be relied upon by State management and will be so marked. We disclaim any intention or obligation to update or revise the observations



whether as a result of new information, future events or otherwise. Should additional documentation or other information become available which impacts upon the observations reached in our deliverables, we reserve the right to amend our observations and summary documents, including deliverables, accordingly

## **8. Other**

We will require the support of the State and associated personnel in order to achieve timely completion of the aforementioned services. Support includes, but is not limited to, the collection of all relevant documents (paper or electronic) and the scheduling of interviews and coordination of meetings.

The State will designate a management level individual to oversee the conduct of these services, including coordination of project resources needed and review of draft deliverables. State personnel assigned to the project will review draft deliverables on a timely basis.

Additionally, the State and its other advisers will provide KPMG with underlying cost data for the Project as appropriate. If the foregoing correctly sets forth the agreement between the State and KPMG, please sign and return the enclosed copy of this proposal letter. If you have any questions with regard to our proposal, please reach out to me at your convenience.

KPMG's services as outlined in this task order constitute an advisory engagement conducted under the American Institute of Certified Public Accountants ("AICPA") Standards for Consulting Services. Such services are not intended to be an audit, examination, attestation, special report or agreed-upon procedures engagements as those services are defined in AICPA literature applicable to such engagements conducted by independent auditors. Accordingly, these services shall not result in the issuance of a written communication to third parties by KPMG directly reporting on financial data or internal control or expressing a conclusion or any other form of assurance.

It is understood and agreed that KPMG is not registered with the SEC as a municipal advisor and that the State is not asking KPMG to provide, and KPMG will not provide, any services to the State which would require registration as a municipal advisor, including but not limited to advice with respect to municipal financial products or the issuance of municipal securities. Accordingly, KPMG will not make recommendations relating to municipal financial products or the issuance of municipal securities, and KPMG will not owe a fiduciary duty to the State under Section 15B of the Securities Exchange Act of 1934. The State represents to KPMG that if the State desires municipal advisor services in connection with or related to the subject matter of this engagement, it will obtain such services from another party.

KPMG can offer no view or undertake any role that could be considered public policy advocacy or lobbying.

This engagement letter will be incorporated by reference into the contract.



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

**CONTRACT CHANGE NOTICE**

Change Notice Number **15**  
 to  
 Contract Number **071B9200123**

<b>CONTRACTOR</b>	KPMG Corporate Finance, LLC
	303 East Wacker Drive
	Chicago, IL 60601
	Liam Kelly
	(312) 665-1204
	liamkelly@kpmg.com
*****0734	

<b>STATE</b>	<b>Program Manager</b>	Joe Pavona	SW
		517-373-9571	
		PavonaJ2@Michigan.gov	
	<b>Contract Administrator</b>	Jillian Yeates	DTMB
		(517) 284-7019	
		yeatesj@michigan.gov	

**CONTRACT SUMMARY**

**FINANCIAL & STRATEGIC CONSULTING SERVICES**

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 5, 2009	January 4, 2012	3 - 1 Year	August 3, 2018
PAYMENT TERMS		DELIVERY TIMEFRAME	
2 Net 30; Net 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-Card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**MINIMUM DELIVERY REQUIREMENTS**

N/A

**DESCRIPTION OF CHANGE NOTICE**

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE		
\$14,930,500.00	\$0.00	\$14,930,500.00		

**DESCRIPTION**

Effective April 24, 2017 the following amendment is hereby incorporated into the contract per attached statement of work for the Michigan Department of Transportation. All other terms, conditions, specifications, and pricing remain the same. Per vendor and agency agreement, and DTMB Procurement approval.

**Statement of Work for Michigan Department of Transportation - Financial and Commercial Advisory  
Services - I-75 Modernization Project  
Contract 071B9200123  
Change Notice 15**

KPMG Corporate Finance LLC ("KPMG") is pleased to submit this task order letter ("task order") to provide advisory services to help the Michigan Department of Transportation ("MDOT") to provide strategic advice with respect to options analysis for the delivery of a number of project segments, including a deep sewer tunnel along the I-75 corridor.

This task order will form a purchase order under the contract between the State of Michigan and KPMG, contract number 071B9200123 and the related extension signed on July 13, 2016 (the "Contract"), and will confirm the basis upon which the State has engaged KPMG to provide advisory services for the Project. These tasks are highlighted in section 1.104.6 of the Contract. This task order will form the statement of work required pursuant to section 2.013 of the Contract for the services summarized above and described herein. This task order outlines our intended scope of work, our estimated fees, team structure, and terms of the engagement. This task order is subject to KPMG's standard client and engagement acceptance procedures and to paragraph 2.210 of the Contract.

**1. Background**

MDOT have been working to address the needed improvements along the I-75 corridor from North of Coolidge Road to North of 9 Mile Road via the I-75 Modernization Project. A financial plan has been developed for delivery of the improvements over 15 years (2016 to 2030).

The project includes highway improvements as well as a deep sewer tunnel. MDOT has initiated the procurement of small portion of the project, but is interested in assessing potential options that could allow the acceleration of the delivery of the remaining sections, spreading repayment of initial investment over a longer period of time, generating efficiencies, leverage specialized sector know how and potentially transfer long term risk.

For the deep sewer tunnel project, a DBFOM approach may be considered by MDOT, while for the other highway project sections, some combination of DBF and potentially O&M component may be entertained.

**2. Services to be provided**

The scope of services involves assistance to MDOT with respect to both qualitative and quantitative delivery options for the project, as well as helping MDOT conduct a market sounding to test the potential delivery options with industry participants. The work will be implemented using a phased approach, where KPMG would solicit approval from MDOT prior to the commencement of each of the three project phases.

**Phase I-Qualitative project delivery options analysis**

KPMG will work with MDOT to:

- Discuss a set of key project objectives against which all potential delivery and scope options will be evaluated;
- Review with MDOT key challenges and constraints associated with the I-75 project;
- Define at a high level the project(s) scope;
- Identify and discuss at a high level potential project delivery options subject to MDOT policy limitations;
- Identify and discuss relevant bundling options for some of the project segments subject to MDOT policy limitations; and
- Outline potential pros and cons for each of the options;
- Provide qualitative assessment of each of the potential delivery options against the key project objectives;
- Participate in meetings with MDOT as requested.

**Deliverable:** Qualitative delivery and procurement analysis presentation.

### **Phase II - Quantitative options analysis**

KPMG will work with MDOT to:

- Identify funding/financing tools available for each option to be part of the quantitative analysis
- Conduct high level financial analysis of the various delivery and segment bundling options to estimate potential project cost under each option to help MDOT assess overall affordability.

**Deliverable:** Delivery and procurement options report updated to include financial analysis.

### **Phase III –Market sounding**

KPMG will work with MDOT to:

- Organize and conduct a market sounding exercise to solicit industry feedback on the potential delivery options to help further guide project development process.

**Deliverable:** A list of questions for RFI or one-on-one interviews, as well as a debrief memo summarizing findings.

### **Phase IV - Project development & procurement**

KPMG will work with MDOT to:

- Advise on the development of draft RFQ sections for the project in coordination with MDOT and its legal and technical advisors. Assist in answering clarification questions
- Support the RFQ evaluation process
- Advise on the development of draft ITP and RFP sections for the project in coordination with MDOT and its legal and technical advisors
- Advise MDOT on potential RFQ, ITP and RFP updates
- Advise MDOT on potential federal credit assistance applications
- Support MDOT in its negotiations with shortlisted teams
- Perform financial analysis to assess the impact of different financial and commercial terms
- Assist MDOT in the evaluation of financial proposals
- Support MDOT on the commercial and financial close activities

**Deliverable:** Financial analysis results, comments on procurement documents, financial proposal summary.

### **3. Excluded Services**

The scope of the optional additional services will continue to exclude the following services:

- Accounting policy review or advice, including constituting acceptance, endorsement or approval of any accounting application or compliance with any accounting standard or requirement;
- Providing guidance on cost accounting activities related on-going operations of the Project;
- Audit or valuation of historical financial performance relating to subject deep sewer line assets;
- Tax advice including provision of a formal opinion, although KPMG will be pleased to discuss separate terms of engagement for these services if required;
- Audit or validation of the financial model provided by bidders for the Project. Recommendations arising from model outputs are the sole responsibility of State management to evaluate and implement;
- Preparation of cash flows for the deep sewer line and other technical projections required for project delivery, except as provided by the State; and
- Legal advice.

### **4. Engagement Team**

The team we expect to deliver these services includes:

Liam Kelly, QA/QC - Strategic advice  
George Spakouris, Core Team - Engagement lead  
Alex Seleznyov, Core Team - KPMG Engagement manager  
Ian Flanagan, Core Team - KPMG Engagement team member  
Other resources as needed

If needed, KPMG will also rely on KPMG International Cooperative's network of Member Firms to identify subject matter professionals who may bring international experience on similar projects.

California Accountancy Act-For engagements where services will be provided by the Contractor through offices located in California, the State acknowledges that certain of Contractor's personnel who may be considered "owners" under the California Accountancy act and implementing regulations (California Business and Professions Code section 5079(a); 16 Cal. Code Regs. sections 51 and 51.1) and who may provide services in connection with this engagement, may not be licensed as certified public accountants under the laws of any of the various states.

## **5. Fees**

The State will compensate KPMG based on the established hourly rates. The anticipated fees for the services outlined above are as follows:

- Phase I - \$45,000
- Phase II - \$125,000
- Phase III - \$40,000
- Phase IV -To be determined based on the number of projects to be procured, as well as on the delivery options selected

The target date for completion of the work under Phase I and II is mid May 2017, but it is subject to factors such availability of the necessary information, availability of senior MDOT management, and requests for additional analysis.

Any subsequent work will be delivered under separate task orders.

## **6. Use of Member Firms and Third Parties**

Use of member firms ("Member .Firms") includes references to member firms of KPMG International, other independent firms licensed by KPMG International to use the KPMG name and, in each case, firms controlled by them and third party service providers:

- a) The State acknowledges that in connection with the performance of services under this Task Order, KPMG and Member Firms, in their discretion or at State's direction, may utilize the services of third party service providers within and without the United States to complete the services under this task order.
- b) KPMG uses third party service providers within and without the United States to provide at the direction of KPMG administrative and clerical services to the KPMG Parties. These third party service providers may in the performance of such services have limited access to information, including but not limited to Confidential Information, received by KPMG from or at the request or direction of the State. KPMG represents that each such third party service provider has agreed to conditions of confidentiality with respect to the State's information to the same or similar extent as KPMG has agreed. KPMG has full responsibility to cause these third party service providers to comply with such conditions of confidentiality and KPMG shall be responsible for any consequences of their failure to comply.
- c) Accordingly, the State .consents to KPMG's disclosure to a Member Firm or third party service provider and the use by such Member Firm and third party service provider of data and information, including but not limited to Confidential Information, received from or at the request or direction of the State.

- d) Any services performed by a Member Firm, affiliate or third party service provider shall be performed in accordance with the terms of this task order and these Standard Terms and Conditions, but KPMG shall remain responsible to the State for the performance of such services. The State agrees that any claim relating to the services under this task order may only be made against KPMG and not any other Member Firm or third party service provider referred to above.

## **7. Intellectual Property, Third Party Use**

- a) KPMG shall retain ownership of any and all intellectual property rights in the product of KPMG's services performed hereunder, whether oral or written, and ownership of KPMG's work papers. The State shall acquire ownership of any product of the services performed in its tangible form upon payment in full of KPMG's fees. For the purposes of delivering services to the State and other KPMG clients, KPMG and its related entities shall be entitled to use, develop or share with each other knowledge, experience and skills of general application gained through performing the services hereunder. Any advice rendered by KPMG pursuant to this task order, written or oral, will be solely for the information and use of the State and treated by the State as confidential and may not be disclosed in any manner to any other person without KPMG's prior written approval.
- b) The advice, recommendations, work product, and deliverables provided as part of this task order will be developed for State management, and are not intended for use by any other party or for any other purpose, and may only be relied upon by State management and will be so marked. We disclaim any intention or obligation to update or revise the observations whether as a result of new information, future events or otherwise. Should additional documentation or other information become available which impacts upon the observations reached in our deliverables, we reserve the right to amend our observations and summary documents, including deliverables, accordingly

## **8. Other**

We will require the support of the State and associated personnel in order to achieve timely completion of the aforementioned services. Support includes, but is not limited to, the collection of all relevant documents (paper or electronic) and the scheduling of interviews and coordination of meetings.

The State will designate a management level individual to oversee the conduct of these services, including coordination of project resources needed and review of draft deliverables. State personnel assigned to the project will review draft deliverables on a timely basis.

Additionally, the State and its other advisers will provide KPMG with underlying cost data for the Project as appropriate. If the foregoing correctly sets forth the agreement between the State and KPMG, please sign and return the enclosed copy of this proposal letter. If you have any questions with regard to our proposal, please reach out to me at your convenience.

KPMG's services as outlined in this task order constitute an advisory engagement conducted under the American Institute of Certified Public Accountants ("AICPA") Standards for Consulting Services. Such services are not intended to be an audit, examination, attestation, special report or agreed-upon procedures engagements as those services are defined in AICPA literature applicable to such engagements Conducted by independent auditors.

Accordingly, these services shall not result in the issuance of a written communication to third parties by KPMG directly reporting on financial data or internal control or expressing a conclusion or any other form of assurance.

It is understood and agreed that KPMG is not registered with the SEC as a municipal advisor and that the State is not asking KPMG to provide, and KPMG will not provide, any services to the State which would require registration as a municipal advisor, including but not limited to advice with respect to municipal financial

products or the issuance of municipal securities. Accordingly, KPMG will not make recommendations relating to municipal financial products or the issuance of municipal securities, and KPMG will not owe a fiduciary duty to the State under Section 15B of the Securities Exchange Act of 1934. The State represents to KPMG that if the State desires municipal advisor services in connection with or related to the subject matter of this engagement, it will obtain such services from another party.

KPMG can offer no view or undertake any role that could be considered public policy advocacy or lobbying.

This engagement letter will be incorporated by reference into the contract.



# STATE OF MICHIGAN ENTERPRISE PROCUREMENT

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

## CONTRACT CHANGE NOTICE

Change Notice Number **14**  
to  
Contract Number **071B9200123**

<b>CONTRACTOR</b>	KPMG Corporate Finance, LLC
	303 East Wacker Drive
	Chicago, IL 60601
	Liam Kelly
	(312) 665-1204
	liamkelly@kpmg.com
	*****0734

<b>STATE</b>	Program Manager	Joe Pavona	GOV
		517-373-9571	
		PavonaJ2@Michigan.gov	
	Contract Administrator	Jillian Yeates	DTMB
		(517) 284-7019	
		yeatesj@michigan.gov	

CONTRACT SUMMARY				
<b>DESCRIPTION:</b> Financial & Strategic Consulting Services				
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW	
January 5, 2009	January 4, 2012	3 - 1 Year	August 3, 2016	
PAYMENT TERMS		DELIVERY TIMEFRAME		
2% Net 30		N/A		
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING	
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
MINIMUM DELIVERY REQUIREMENTS				
N/A				
DESCRIPTION OF CHANGE NOTICE				
OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input checked="" type="checkbox"/>	24 Months	August 3, 2018
CURRENT VALUE		VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE	
\$14,930,500.00		\$ 0.00	\$14,930,500.00	

**DESCRIPTION:** Effective July 13, 2016 this Contract is hereby extended 24 Months. The revised contract expiration date is August 3, 2018. Please note that the Program Manager's information has been updated. All other terms, conditions, specifications, and pricing remain the same. Per contractor and agency agreement, DTMB Procurement approval, and State Administrative Board approval on July 12, 2016.



**STATE OF MICHIGAN**  
**DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET**  
 PROCUREMENT

525 W. ALLEGAN STREET  
 LANSING, MI 48933

P.O. BOX 30026  
 LANSING, MI 48909

CHANGE NOTICE NO. 13  
 to  
 CONTRACT NO. 071B9200123  
 between  
 THE STATE OF MICHIGAN  
 and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
KPMG Corporate Finance, LLC 303 East Wacker Drive Chicago, IL 60601	Liam Kelly	liamkelly@kpmg.com
	PHONE	CONTRACTOR'S TAX ID NO. (LAST FOUR DIGITS ONLY)
	(312) 665-1204	****0734

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER / CCI	Executive	Joe Pavona	517-241-4892	PavonaJ1@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Jillian Yeates	517-284-7019	yeatesj@michigan.gov

CONTRACT SUMMARY			
<b>DESCRIPTION:</b> Financial and Strategic Consulting Services – Statewide			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 5, 2009	January 4, 2012	3-1 year	August 3, 2016
PAYMENT TERMS		DELIVERY TIMEFRAME	
2% Net 30		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS			
N/A			

DESCRIPTION OF CHANGE NOTICE				
EXERCISE OPTION?	LENGTH OF OPTION	EXERCISE EXTENSION?	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE		
\$14,930,500.00	\$0	\$14,930,500.00		

**DESCRIPTION:** Effective February 8, 2016 the contract is amended to add the following:

**Extended Purchasing Program.** This contract is extended to MiDEAL members. MiDEAL members include local units of government, school districts, universities, community colleges, and nonprofit hospitals. A current list of MiDEAL members is available at [www.michigan.gov/mideal](http://www.michigan.gov/mideal). Upon written agreement between the State of Michigan and Contractor, this contract may also be extended to other states (including governmental subdivisions and authorized entities), or other private entities.

If extended, Contractor must supply all services at the established Contract prices and terms.

Contractor must submit invoices to, and receive payment from, extended purchasing program members on a direct and individual basis.

**Administrative Fee and Reporting.** Contractor must pay an administrative fee of 2% on all payments made to Contractor under the Contract **excluding** transactions with the State of Michigan.

Administrative fee payments must be made by check payable to the State of Michigan and mailed to:

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

Contractor must submit an itemized purchasing activity report, which includes at a minimum, the name of the purchasing entity and the total dollar volume in sales. Reports should be mailed to DTMB-Procurement.

The administrative fee and purchasing activity report are due within 30 calendar days from the last day of each calendar quarter.

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. 12**  
 to  
**CONTRACT NO. 071B9200123**  
 between  
**THE STATE OF MICHIGAN**  
 and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
KPMG Corporate Finance, LLC 303 East Wacker Drive Chicago IL, 60601	Liam Kelly	liamkelly@kpmg.com
	PHONE	CONTRACTOR'S TAX ID NO. (LAST FOUR DIGITS ONLY)
	(312) 665-1204	*****0734

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER / CCI	Executive	Joe Pavona	517-241-4892	PavonaJ1@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Jillian Yeates	517-284-7019	yeatesj@michigan.gov

CONTRACT SUMMARY			
<b>DESCRIPTION:</b> Financial and Strategic Consulting Services - Statewide			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 5, 2009	January 4, 2012	3 - 1 Year	August 3, 2016
PAYMENT TERMS		DELIVERY TIMEFRAME	
2% Net 30		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS			
N/A			

DESCRIPTION OF CHANGE NOTICE				
EXERCISE OPTION?	LENGTH OF OPTION	EXERCISE EXTENSION?	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		
CURRENT VALUE		VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE	
\$14,930,500.00		\$ 0.00	\$14,930,500.00	

**DESCRIPTION:**  
 Effective January 4, 2016, the following amendment is hereby incorporated into the contract per attached statement of work for Michigan Department of Agriculture and Rural Development. Please note the Contract Administrator has been changed to Jillian Yeates. All other terms, conditions, specifications, and pricing remain the same. Per vendor and agency agreement, and DTMB Procurement approval.

**Statement of Work for Michigan Department of Agriculture and Rural Development  
Contract 071B92000123  
Change Notice 12**

KPMG Corporate Finance LLC ("KPMG") is pleased to submit a Statement of Work ("SOW") to provide financial and commercial advisory services for the State of Michigan ("State") and to the Michigan Department of Agriculture and Rural Development ("MDARD") as part of the Consolidated Laboratory (the "Project").

This task order will form a purchase order under the contract between the State of Michigan and KPMG, contract number 071B9200123 and the related extension signed on May 21, 2013 (the "Contract"), and will confirm the basis upon which the State has engaged KPMG to provide advisory services for the Project. These tasks are highlighted in section 1.104.6 of the Contract. This task order will form the statement of work required pursuant to section 2.013 of the Contract for the services summarized above and described herein. This task order outlines our intended scope of work, our estimated fees, team structure, and terms of the engagement. This task order is subject to KPMG's standard client and engagement acceptance procedures.

1. Background

Based on the business case developed as part of the separate Statement of Work, the State has engaged KPMG to implement the Project through a public-private partnership ("P3"). KPMG is currently assisting the State and the Michigan Department of Health and Human Services ("DHHS") to assist with Project Development and Pre-Procurement activities for the Project, which is now may be a consolidated laboratory involving MDARD as well as the Department of Environmental Quality ("DEQ"). In light of the State's decision to increase the overall program to include additional departments, certain elements of the initial program - developed as part of the business case – need to be updated.

2. Services to be provided

The following activities shall be performed by KPMG and its subcontractor HOK in support of this SOW:

- Updating the Consolidated Laboratory program and scope to include laboratory space for MDARD;
- Updating the cost estimates for the Consolidated Laboratory;
- Updating financial analysis based on the changes in program and scope; and
- Updating the pro rata share of the anticipated service fees for the Project for the participating departments

The state acknowledges and agrees that KPMG and its subcontractors' services may include advice and recommendations; but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, the State.

3. Excluded Services

The scope of the optional additional services will continue to exclude the following services:

- Accounting policy review or advice, including constituting acceptance, endorsement or approval of any accounting application or compliance with any accounting standard or requirement;

- Providing guidance on cost accounting activities related to MDARD on-going operations of the laboratory facility;
- Audit or valuation of historical financial performance relating to subject MDARD assets;
- Tax advice including provision of a formal opinion, although KPMG will be pleased to discuss separate terms of engagement for these services if required; and
- Audit or validation of the financial model provided by bidders for the Project. Recommendations arising from model outputs are the sole responsibility of State management to evaluate and implement.

#### 4. Engagement Team

The team we expect to deliver these services includes:

Liam Kelly, KPMG Engagement Partner

Ted Hamer, KPMG Engagement Manager (lead on day-to-day basis)

Alex Seleznyov, KPMG Engagement team member

Lindsay Stowell, KPMG Engagement team member

Technical Advisor – HOK

If needed KPMG will also rely on KPMG International Cooperative's network of Member Firms to identify subject matter professionals who may bring international experience on similar projects.

California Accountancy Act – For engagements where services will be provided by the Contractor through offices located in California, the State acknowledges that certain of Contractor's personnel who may be considered "owners" under the California Accountancy act and implementing regulations (California Business and Professions Code section 5079(a); 16 Cal. Code Regs. sections 51 and 51.1) and who may provide services in connection with this engagement, may not be licensed as certified public accountants under the laws of any of the various states.

#### 5. Fees

The State will compensate KPMG based on the established hourly rates. The additional anticipated fees for this element of Phase Two services are \$50,000, inclusive of Technical advisor's fees.

#### 6. Use of Member Firms and Third Parties

Use of member firms ("Member Firms" includes references to member firms of KPMG International, other firms licensed by them to use the KPMG name and, in each case, firms controlled by them) and third party service providers:

- a) The State acknowledges that in connection with the performance of services under this task order, KPMG and Member Firms, in their discretion or at State's direction, may utilize the services of third party service providers within and without the United States to complete the services under this task order.
- b) KPMG uses third party service providers within and without the United States to provide at the direction of KPMG administrative and clerical services to the KPMG Parties. These third party service providers may in the performance of such services have limited access to information, including but not limited to Confidential Information, received by KPMG from or at the request or direction of the State. KPMG represents that each such third party service provider has agreed to conditions of confidentiality

with respect to the State's information to the same or similar extent as KPMG has agreed. KPMG has full responsibility to cause these third party service providers to comply with such conditions of confidentiality and KPMG shall be responsible for any consequences of their failure to comply.

c) Accordingly, the State consents to KPMG's disclosure to a Member Firm or third party service provider and the use by such Member Firm and third party service provider of data and information, including but not limited to Confidential Information, received from or at the request or direction of the State.

d) Any services performed by a Member Firm, affiliate or third party service provider shall be performed in accordance with the terms of the task order and these Standard Terms and Conditions, but KPMG shall remain responsible to the State for the performance of such services. The State agrees that any claim relating to the services under the task order may only be made against KPMG and not any other Member Firm or third party service provider referred to above.

## 7. Intellectual Property, Third Party Use

a) KPMG shall retain ownership of any and all intellectual property rights in the product of KPMG's services performed hereunder, whether oral or written, and ownership of KPMG's work papers. The State shall acquire ownership of any product of the services performed in its tangible form upon payment in full of KPMG's fees. For the purposes of delivering services to the State and other KPMG clients, KPMG and its related entities shall be entitled to use, develop or share with each other knowledge, experience and skills of general application gained through performing the services hereunder. Any advice rendered by KPMG pursuant to the task order, written or oral, will be solely for the information and use of the State and treated by the State as confidential and may not be disclosed in any manner to any other person without KPMG's prior written approval.

b) The advice, recommendations, work product, and deliverables provided as part of this engagement will be developed for State management, and are not intended for use by any other party or for any other purpose, and may only be relied upon by State management and will be so marked. We disclaim any intention or obligation to update or revise the observations whether as a result of new information, future events or otherwise. Should additional documentation or other information become available which impacts upon the observations reached in our deliverables, we reserve the right to amend our observations and summary documents, including deliverables, accordingly.

## 8. Other

We will require the support of the State and associated personnel in order to achieve timely completion of the aforementioned services. Support includes, but is not limited to, the collection of all relevant documents (paper or electronic) and the scheduling of interviews and coordination of meetings.

The State will designate a management level individual to oversee the conduct of these services, including coordination of Project resources needed and review of draft deliverables. State personnel assigned to the Project will review draft deliverables on a timely basis.

Additionally, the State and its other advisers will provide KPMG with underlying cost data for the Project as appropriate. If the foregoing correctly sets forth the agreement between the State and KPMG, please sign and return the enclosed copy of this task order. If you have any questions with regard to our proposal, please reach out to me at your convenience.

The scope of work does not require that KPMG make any legal interpretations or render any legal advice, and the parties hereby agree that in connection with KPMG's performance of the services under this engagement shall not include or be construed to include the provision by KPMG of legal advice or legal services. KPMG is prohibited from giving legal advice or performing legal services of any kind or

nature, and all legal interpretations and rendering of legal advice shall be Counsel's responsibility. KPMG will refer any such questions to Counsel.

KPMG's services as outlined in this proposal constitute an advisory engagement conducted under the American Institute of Certified Public Accountants ("AICPA") Standards for Consulting Services. Such services are not intended to be an audit, examination, attestation, special report or agreed-upon procedures engagements as those services are defined in AICPA literature applicable to such engagements conducted by independent auditors. Accordingly, these services shall not result in the issuance of a written communication to third parties by KPMG directly reporting on financial data or internal control or expressing a conclusion or any other form of assurance.

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. 11**  
 to  
**CONTRACT NO. 071B9200123**  
 Between  
**THE STATE OF MICHIGAN**  
 and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
KPMG Corporate Finance, LLC 303 East Wacker Drive Chicago, IL 60601	Liam Kelly	liamkelly@kpmg.com
	PHONE	VENDOR FEIN # (LAST FOUR DIGITS ONLY)
	(415) 963-5484	0734

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER	Executive	Joe Pavona	(517) 241-6009	Pavonaj1@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Chelsea Edgett	(517) 284-7031	edgettcc@michigan.gov

CONTRACT SUMMARY			
<b>DESCRIPTION:</b> Financial & Strategic Consulting Services - Statewide			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 5, 2009	January 4, 2012	3 one year	<b>August 3, 2016</b>
PAYMENT TERMS	F.O.B.	SHIPPED TO	
2% Net 30	N/A	N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS			
N/A			

DESCRIPTION OF CHANGE NOTICE				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/>	<input type="checkbox"/>	N/A	August 3, 2016
CURRENT VALUE	VALUE/COST OF CHANGE NOTICE	ESTIMATED REVISED AGGREGATE CONTRACT VALUE		
\$14,930,500.00	\$0.00	\$14,930,500.00		

**DESCRIPTION:**

Effective July 10, 2015, the Statement of Work added February 27, 2015 is updated to suspend Phase 1 and 2 and reallocate the remaining budget and increase the total budget by \$20,000 to deliver Market Sounding Work Plan per attached.  
 All other terms, conditions, specifications, and pricing remain the same. Per vendor and agency agreement, and DTMB Procurement approval.



## Financial and Commercial Advisory Services – Michigan Homes for Veterans

At the request of the State of Michigan (“the State”) and the Michigan Veterans Affairs Agency (“MVAA”), KPMG Corporate Finance LLC (“KPMG”) submits this amendment (“Amendment 1”) to the task order dated February 25, 2015 (“Task Order”) to provide advisory services. This Amendment 1 hereby (i) modifies the original scope of work suspending Phase 1 and Phase 2 in the Task Order and (ii) reallocates the remaining budget and increases the total budget by \$20,000 to account for the extra work related to the tasks outlined in this Amendment 1.

This Amendment 1 modifies the existing task order under the contract between the State of Michigan and KPMG, contract number 071B9200123 (the “Contract”) and is subject to KPMG’s standard client and engagement acceptance procedures.

If MVAA wishes to complete the tasks outlined in Phase 1 and Phase 2 outlined in the original Task Order, the State, MVAA and KPMG will mutually agree upon the additional budget that will be required.

### 1. Updated Scope of Work

This task order amends the original scope of work and updates the approach based on MVAA’s shift to focusing on its broader strategic direction. KPMG and its subcontractor, HOK, has made progress in support of the originally contemplated Phase One and Phase Two activities and this progress will be beneficial downstream as MVAA refines its overall strategic vision. However, at this time MVAA wishes to focus on strategic and operational issues. To this end, Amendment 1 modifies KPMG’s activities to help MVAA conduct market soundings in support of helping identify the optimal operating structure, conduct high-level budget analysis based on the indicative Medicaid reimbursement rates developed by the Michigan Department of Community Health; and perform research into the operating structures of some of the recently-built veterans homes in identified peer states that are both CMS and CLC compliant. The following activities will be performed:

- Task 1: In collaboration with MVAA, work with department leadership and other consultants in helping articulate MVAA’s operational objectives and anticipated outcomes including performing additional due diligence on the delivery models and the commercial structures for the veterans homes in Tennessee and Alabama;
- Task 2: Assist MVAA in examining the current operation and making recommendations on potential areas of improvement by reducing cost and/or increasing efficiency;
- Task 3: Develop a high-level pro forma revenue forecast based on the Medicaid reimbursement estimates provided by the DCH;
- Task 4: assist MVAA to organize and conduct a market sounding to vet with the industry the potential organization models for the MVAA and solicit input with respect to the potential service delivery models. Please see the attached work plan for additional activities associated with the market sounding.

#### Deliverables:

KPMG will produce a report outlining this updated project scope, objectives, and proposed service delivery models. Included in this report will be a draft implementation plan addressing both the immediate concerns of MVAA, as well as the long-term solutions in line with the project objectives; high-level financial analysis of the impact of the indicative Medicaid revenue on the MVAA budget and the service delivery options; qualitative options analysis summarizing the available governance models identified; and a summary of the market sounding activities.

### 2. Fees

In line with the original budget estimates and scope, KPMG and HOK have accrued \$150,000 in fees through May 1, 2015 out of the total budget of \$250,000. KPMG estimates that a total budget of \$120,000 is required to complete the foregoing tasks outlined in this Amendment 1, requiring a budget increase of \$20,000 in addition to the \$100,000 in remaining budget.

By exercising the market sounding option, the total budget for this activity is increased to \$270,000. KPMG reserves the right to reallocate the budget between parties (KPMG and technical advisor) and Phases.

Market Sounding Work Plan

Michigan Veterans Affairs Agency

Market Sounding Approach

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The Michigan Veterans Affairs Agency (MVAA) wishes to conduct a market sounding exercise to help understand the operational and financial opportunities related to potential governance models that are currently being considered by MVAA to effectively deliver housing, services and care to the current and future veteran’s population MVAA serves. KPMG and its subcontractor, HOK, will help facilitate this effort in conjunction with MVAA leadership and MVAA’s consultants and advisors.

The market soundings will be conducted via phone with selected participants. Currently, it is envisioned that approximately four (4) to six (6) interviews will be conducted; however, this may be amended as the list of participants is refined and finalized. Preliminary defined participants may include, but is not limited at this stage to: HMR Veterans Services, Genesis Health Systems, Dwelling Place and Tennessee State Veterans Home Board. Additionally, MVAA wishes to include up to two Michigan-based nursing home providers in the discussion. Other identified participants may include CHR Complete Healthcare Resources, Kindred Healthcare, and LCS.

**Actions:**

- Develop “teaser” to provide helpful information to market participants – KPMG to draft; MVAA to review and provide input
- Develop two sets of questions: 1) Questions to be provided to participants and 2) Questions to be used during the interviews – KPMG to draft; MVAA to review and provide input
- Identify list of participants – MVAA, KPMG, HOK to develop and refine list collaboratively
- Determine need for Non-Disclosure Agreement (NDA) – MVAA and KPMG to work with Attorney General’s Office
- Decide logistics for meetings – MVAA to identify room for internal participants; team to determine timing for interviews
- Determine “game plan” for meetings – MVAA and KPMG to identify who leads discussion and asks questions

**Preliminary Timing:**

Friday May 8	<ul style="list-style-type: none"> <li>• Finalize work plan, timing and identified participants</li> <li>• Develop initial draft questions and teaser</li> </ul>
Tuesday May 12	<ul style="list-style-type: none"> <li>• Extend invitations to market sounding participants</li> <li>• Finalize questions and teaser</li> </ul>
Friday May 15	<ul style="list-style-type: none"> <li>• Finalize schedule of participants</li> <li>• Distribute questions and teaser</li> </ul>
Wednesday May 27 and Thursday May 28	<ul style="list-style-type: none"> <li>• Conduct market sounding interviews</li> </ul>
Friday May 29	<ul style="list-style-type: none"> <li>• Conduct debrief with MVAA</li> </ul>
Friday June 5	<ul style="list-style-type: none"> <li>• Provide summary of market soundings, including key observations, takeaways and considerations going forward</li> </ul>

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. 10**  
 to  
**CONTRACT NO. 071B9200123**  
 Between  
**THE STATE OF MICHIGAN**  
 and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
KPMG Corporate Finance, LLC 303 East Wacker Drive Chicago, IL 60601	Liam Kelly	liamkelly@kpmg.com
	PHONE	VENDOR FEIN # (LAST FOUR DIGITS ONLY)
	(415) 963-5484	0734

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER	Executive	Joe Pavona	(517) 241-6009	Pavonaj1@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Chelsea Edgett	(517) 284-7031	edgettcc@michigan.gov

CONTRACT SUMMARY			
<b>DESCRIPTION:</b> Financial & Strategic Consulting Services - Statewide			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
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PAYMENT TERMS	F.O.B.	SHIPPED TO	
2% Net 30	N/A	N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS			
N/A			

DESCRIPTION OF CHANGE NOTICE				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/>	<input type="checkbox"/>	N/A	August 3, 2016
CURRENT VALUE		VALUE/COST OF CHANGE NOTICE	ESTIMATED REVISED AGGREGATE CONTRACT VALUE	
\$14,930,500.00		\$0.00	\$14,930,500.00	

**DESCRIPTION:**  
 Effective February 27, 2015, the following Statement of Work is ADDED to this Contract, per attachment. Please note, the Contract Administrator has been changed to Chelsea Edgett. All other terms, conditions, specifications, and pricing remain the same. Per vendor and agency agreement, and DTMB Procurement approval.

**Financial and Commercial Advisory Services – Michigan Homes for Veterans**

KPMG Corporate Finance LLC ("KPMG") is pleased to submit this task order letter ("task order") to provide advisory services in relation to helping the State of Michigan ("the State") and the Michigan Veterans Affairs Agency ("MVAA")

make an informed decision regarding a potential capital investment estimated between \$7 to \$9 associated with Medicaid certification and additional renovations to put GRHV in line with an industry standard of two residents per room.

MVAA is facing a number of challenges, some of which include a structural budget deficit caused by the increased costs of medical care, the inability of MVAA homes to accept Medicare and Medicaid payments, and a temporary decrease in the veteran population requiring care. The scope of work in this task order involves a rapid assessment of options available to the State and MVAA that would help address the Agency's challenges by diversifying MVAA's revenues, reducing costs and improving the quality of care to the veterans. Potential options include outsourcing clinical care, a public-private partnership ("P3"), or a facilities rehabilitation contract with an operations/maintenance component, all aimed at optimizing service delivery to the veterans. KPMG's work under this task order will help the State assess the indicative financial impact of the potential delivery options and identify a concept of developing and procuring the Project. KPMG will work with Helmuth, Obata and Kassabaum (HOK) as a subcontractor under this task order to provide technical advisor services. HOK's participation on this project is subject to the agreement of the State and to the satisfactory completion of KPMG's standard subcontracting procedures and fee amendment.

This task order will form a purchase order under the contract between the State of Michigan and KPMG, contract number 071B9200123 and the related extension signed on February 3, 2015 (the "Contract"), and will confirm the basis upon which the State has engaged KPMG to provide advisory services for the Project. These tasks are highlighted in section 1.104.6 of the Contract. This task order will form the statement of work required pursuant to section 2.013 of the Contract for the services summarized above and described herein. This task order outlines our intended scope of work, our estimated fees, team structure, and terms of the engagement. This task order is subject to KPMG's standard client and engagement acceptance procedures and to paragraph 2.210 of the Contract.

## **1. Background**

MVAA operates two Veterans Homes in the State: the Grand Rapids Home for Veterans (GRHV) and D. J. Jacobetti Home for Veterans (DJJHV). A recent report by the MVAA revealed that a \$4.1 million supplemental appropriation is required in order to bridge an operating deficit facing the Homes. Additionally, according to a recent high-level estimate, approximately \$7 to \$9 million in capital investment is required for Medicaid certification and to put GRHV in line with an industry standard of two residents per room.

The objective of this task order is to assist the State in assessing the options available to the State to address the challenges faced by MVAA, while delivering a high level of care to the veterans. The State wishes to help ensure that allocating \$7 to \$9 million for the improvements required to achieve Medicare and Medicaid certification is the best long-term solution to the State and its veterans and that it appropriately addresses the structural budget deficit facing the MVAA veterans homes.

## **2. Services to be provided**

This task order contemplates two phases. At the conclusion these phases the State will determine how it wishes to proceed, based on the options analyzed as part of this scope. If the State wishes to move forward, it is anticipated that a separate task order amendment will be entered into for Phase Three Implementation services.

HOK's services are required to complete the described Phase Two below and, if the State chooses to implement, Phase Three Implementation. HOK will help with the development of specific space requirements, capital and operating cost forecasts (for the purposes of financial analysis and modeling), program definition for the facility (to help assess affordability), and technical provisions / output specifications (as part of the Project Agreement).

### **Phase One – Project Review and Qualitative Options Assessment**

The purpose of this phase is to help the State identify the preliminary scope. This phase anticipates refining the Project needs to articulate a scope that will be reflected in procurement documents if the State determines it wishes to progress with this transaction. Additionally, if the State is interested, KPMG can assist with conducting a market sounding for the Project to help elicit feedback as to market preferences regarding the commercial and financial structure of a potential PPP.

- **Task 1.1:** Conduct project kick-off meeting with MVAA and key stakeholders and confirm objectives, timing and activities. Obtain and review the data provided by the State for the Project.
- **Task 1.2:** Help the State articulate the potential scope for the Project including alternative funding sources, and other revenue diversification opportunities. This task will include, for example, reviewing the funding level required to operate and maintain existing facilities and understanding Medicare and Medicaid certification requirements.

- Task 1.3: In conjunction with the technical advisor HOK, review existing facility expenditures to develop a preliminary operational cost analysis for the Project, including providing comment on the technical data and needs assessment/reports that have been developed in support of the \$7 to \$9 million infrastructure investment requirements.
- Task 1.4: Perform a high level qualitative assessment of Project delivery options available to the State for the Project, including outsourcing clinical care, full-service P3, or a facilities rehabilitation contract with an O&M component, all aimed at optimizing service delivery to the veterans.
- Task 1.5: HOK will assist with helping the State and MVAA define project scope based on existing facility data and the requirements for the potential facility(s).
- Task 1.6: HOK will help develop draft forecasts for the 35-year life cycle costs of the existing and new potential veterans homes, including construction, operations and maintenance under each of the proposed options.

### **Phase Two (a) – Project Development and Pre-Procurement Assistance**

The purpose of Phase Two (a) is to help the State assess the technical and financial impact of the Project against the delivery options identified in Phase One. This includes using cost forecasts developed by the technical advisor to perform financial modeling to help the State assess both project affordability and Value for Money on a net present value basis.

- Task 2.1: In conjunction with the technical advisor, conduct risk analysis to identify, quantify, and allocate project risks for each proposed delivery options. The results of the risk analysis will be reflected in the adjustments made to baseline costs developed for the Project by the technical advisor.
- Task 2.2: Technical advisor will assist the State and MVAA to outline details of technical structure for the selected option and to develop project and procurement schedules.
- Task 2.3: Develop two levered cash-flow financial models reflecting the anticipated Project delivery options. The first model is the Public Sector Comparator which is used as a proxy for a traditionally developed and financed project, be it through a State owned facility or lease-back via a design-bid-build or design-build approach. The second model is a Shadow Bid which reflects the preferred delivery approach, based on the qualitative assessment.
- Task 2.4: Conduct preliminary financial analysis to help identify the range of indicative total Project costs. This will include conducting Value for Money (VFM) analysis on both a net present value basis using risk adjusted cost inputs provided either by the State or a technical advisor. The VFM is a comparative analysis between the Public Sector Comparator and Shadow Bid model.
- Task 2.5: Help the State assess the Project delivery options by assisting with reviewing the cash flow impact over the long-term on the State's budget. When evaluating Project delivery options, consideration will be given to current operational costs for the MVAA veterans homes in comparison to proposed costs of alternative solutions.

### **Phase Two (b) – Optional Marketing Sounding Exercise**

- Task 2.6: If required and requested by the State and MVAA, conduct a market sounding exercise that may include conducting meetings with interested parties who may be able to deliver the Project as a PPP and/or helping the State issue a Request for Information (RFI). The timing of this potential marketing sounding and/or RFI process will be determined in consultation with the State.

*Note: Fees for Task 2.6 are priced separately and are not included in the anticipated fees for Phase One and Phase Two (a) work.*

### **3. Excluded Services**

The scope of the optional additional services will continue to exclude the following services:

- Accounting policy review or advice, including constituting acceptance, endorsement or approval of any accounting application or compliance with any accounting standard or requirement;
- Providing guidance on cost accounting activities related to MVAA on-going operations of the veterans homes;
- Audit or valuation of historical financial performance relating to subject MVAA assets;
- Tax advice including provision of a formal opinion, although KPMG will be pleased to discuss separate terms of engagement for these services if required; and
- Audit or validation of the financial model provided by bidders for the Project. Recommendations arising from model outputs are the sole responsibility of State management to evaluate and implement.

### **4. Engagement Team**

The team we expect to deliver these services includes:

Liam Kelly, KPMG Engagement leader  
Ted Hamer, KPMG Engagement director  
Alex Seleznyov, KPMG Engagement team member (lead on day-to-day basis)  
Lindsay Stowell, KPMG Engagement team member  
Technical Advisor – HOK

If needed KPMG will also rely on KPMG International Cooperative's network of Member Firms to identify subject matter professionals who may bring international experience on similar projects.

California Accountancy Act – For engagements where services will be provided by the Contractor through offices located in California, the State acknowledges that certain of Contractor's personnel who may be considered "owners" under the California Accountancy act and implementing regulations (California Business and Professions Code section 5079(a); 16 Cal. Code Regs. sections 51 and 51.1) and who may provide services in connection with this engagement, may not be licensed as certified public accountants under the laws of any of the various states.

### **5. Fees**

The State will compensate KPMG \$400 per hour on a time and materials basis, as established in our existing contract. Anticipated total fees for this work are estimated at \$250,000 for Phase One and Phase Two (a) scope. KPMG reserves the right to reallocate the budget between parties (KPMG and technical advisor) and Phases.

Fees for Phase Two (B) is anticipated at approximately \$65,000 (this is based on formal in person meetings, if the State would prefer phone interviews on a confidential basis the estimated fees will be approximately \$35,000) if this work is requested by the State.

### **6. Use of Member Firms and Third Parties**

Use of member firms (“Member Firms”) includes references to member firms of KPMG International, other independent firms licensed by KPMG International to use the KPMG name and, in each case, firms controlled by them and third party service providers:

- a) The State acknowledges that in connection with the performance of services under this Task Order, KPMG and Member Firms, in their discretion or at State’s direction, may utilize the services of third party service providers within and without the United States to complete the services under this task order.
- b) KPMG uses third party service providers within and without the United States to provide at the direction of KPMG administrative and clerical services to the KPMG Parties. These third party service providers may in the performance of such services have limited access to information, including but not limited to Confidential Information, received by KPMG from or at the request or direction of the State. KPMG represents that each such third party service provider has agreed to conditions of confidentiality with respect to the State’s information to the same or similar extent as KPMG has agreed. KPMG has full responsibility to cause these third party service providers to comply with such conditions of confidentiality and KPMG shall be responsible for any consequences of their failure to comply.
- c) Accordingly, the State consents to KPMG’s disclosure to a Member Firm or third party service provider and the use by such Member Firm and third party service provider of data and information, including but not limited to Confidential Information, received from or at the request or direction of the State.
- d) Any services performed by a Member Firm, affiliate or third party service provider shall be performed in accordance with the terms of this task order and these Standard Terms and Conditions, but KPMG shall remain responsible to the State for the performance of such services. The State agrees that any claim relating to the services under this task order may only be made against KPMG and not any other Member Firm or third party service provider referred to above.

## **7. Intellectual Property, Third Party Use**

- a) KPMG shall retain ownership of any and all intellectual property rights in the product of KPMG’s services performed hereunder, whether oral or written, and ownership of KPMG’s work papers. The State shall acquire ownership of any product of the services performed in its tangible form upon payment in full of KPMG’s fees. For the purposes of delivering services to the State and other KPMG clients, KPMG and its related entities shall be entitled to use, develop or share with each other knowledge, experience and skills of general application gained through performing the services hereunder. Any advice rendered by KPMG pursuant to this task order, written or oral, will be solely for the information and use of the State and treated by the State as confidential and may not be disclosed in any manner to any other person without KPMG’s prior written approval.
- b) The advice, recommendations, work product, and deliverables provided as part of this task order will be developed for State management, and are not intended for use by any other party or for any other purpose, and may only be relied upon by State management and will be so marked. We disclaim any intention or obligation to update or revise the observations whether as a result of new information, future events or otherwise. Should additional documentation or other information become available which impacts upon the observations reached in our deliverables, we reserve the right to amend our observations and summary documents, including deliverables, accordingly

## **8. Other**

We will require the support of the State and associated personnel in order to achieve timely completion of the aforementioned services. Support includes, but is not limited to, the collection of all relevant documents (paper or electronic) and the scheduling of interviews and coordination of meetings.

The State will designate a management level individual to oversee the conduct of these services, including coordination of project resources needed and review of draft deliverables. State personnel assigned to the project will review draft deliverables on a timely basis.

Additionally, the State and its other advisers will provide KPMG with underlying cost data for the Project as appropriate. If the foregoing correctly sets forth the agreement between the State and KPMG, please sign and return the enclosed copy of this proposal letter. If you have any questions with regard to our proposal, please reach out to me at your convenience.

The State is aware that KPMG may provide assurance, tax and/or advisory services to potential RFP respondents. At the point that the State identifies potential RFP respondents for consideration, KPMG will perform an internal search for professional relationships with the potential RFP respondents selected for RFP distribution by the State. KPMG will advise the State of the general nature of services provided to the vendor, as permitted. However, you acknowledge that we are a large firm that is engaged by new clients on a daily basis and as a result, we cannot guarantee that following our initial relationship search, an engagement for a potential RFP respondent under consideration will not be accepted somewhere else in our firm. Should any new information come to the Managing Directors attention, KPMG will promptly inform you.

KPMG's services as outlined in this task order constitute an advisory engagement conducted under the American Institute of Certified Public Accountants ("AICPA") Standards for Consulting Services. Such services are not intended to be an audit, examination, attestation, special report or agreed-upon procedures engagements as those services are defined in AICPA literature applicable to such engagements conducted by independent auditors. Accordingly, these services shall not result in the issuance of a written communication to third parties by KPMG directly reporting on financial data or internal control or expressing a conclusion or any other form of assurance.

It is understood and agreed that KPMG is not registered with the SEC as a municipal advisor and that the State is not asking KPMG to provide, and KPMG will not provide, any services to the State which would require registration as a municipal advisor, including but not limited to advice with respect to municipal financial products or the issuance of municipal securities. Accordingly, KPMG will not make recommendations relating to municipal financial products or the issuance of municipal securities, and KPMG will not owe a fiduciary duty to the State under Section 15B of the Securities Exchange Act of 1934. The State represents to KPMGCF that if the State desires municipal advisor services in connection with or related to the subject matter of this engagement, it will obtain such services from another party.

KPMG can offer no view or undertake any role that could be considered public policy advocacy or lobbying.

This engagement letter will be incorporated by reference into the contract.

If the foregoing correctly sets forth the agreement between the State and KPMG, please sign and return the enclosed copy of this task order. If you have any questions with regards to our proposal, please reach out to me at your convenience.

## **Appendix 1 – HOK Scope of Work**

In consultation with the State, services of HOK, an architecture/engineering firm, are being retained as technical subcontractor. With respect to retaining services of HOK:

- a) The State and MVAA acknowledge that KPMG is retaining HOK at their request and KPMG has not independently assessed HOK's qualifications to perform professional and consulting services based on considerations involving the architecture, engineering and construction aspects of the proposed building project., and that accordingly, with the permission of the client, we will rely on that advice for purposes of preparing our deliverable but without independently assessing, or formulating an opinion, on it. The State and MVAA acknowledge that KPMG is not licensed to provide the professional design and consulting advice that HOK will provide. State and MVAA acknowledge and agree that HOK is not providing municipal advisory services and not providing services pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules promulgated thereunder by the Securities and Exchange Commission that are intended to be or considered to be advice or recommendation regarding municipal financial products or the issuance of municipal securities.

The following activities will be performed by HOK:

- In support of project Phase I activities,



- HOK will assist with determining project scope based on existing facility data and the requirements for the potential facility(s).
- HOK will help develop draft forecasts for the 35-year life cycle costs of the existing and new potential veterans homes, including construction, operations and maintenance under each of the proposed options.
- In support of Project Phase II activities,
  - HOK will assist KPMG to outline the details of design criteria and performance standards for the selected option and to develop project and procurement schedules.
  - HOK will assist KPMG conduct risk analysis to identify, quantify, and allocate project risks for each proposed delivery options
  - Help KPMG and the State assess the Project delivery options by assisting with reviewing the current operational costs for the MVAA veterans homes in comparison to proposed costs of alternative solutions.

**CONTRACT 071B9200123**  
**PRICING SHEET**  
**Department of Military and Veterans Affairs**  
**Financial & Commercial Advisory Services**  
**State Veterans Homes**

**PRICING TOTALS – FY 2015**

**Firm Fixed Pricing not to exceed \$250,000**

The breakdown of detailed pricing by task is included in the table below. KPMG reserves the right to reallocate the budget between parties (KPMG and HOK), phases, and tasks. It is estimated that the project will take up to 120 working days to complete, with a large portion of the work to be completed within the first 90 days. KPMG shall provide monthly invoices to the State of Michigan (“the State”) and the Department of Military and Veterans Affairs (“DMVA”). The detailed invoices shall contain the hours and fees incurred to date and the estimated hours and fees remaining to complete the work detailed in the Task Order with the State and DMVA, dated February 25, 2015. KPMG shall also provide to the State and to DMVA project reports and other deliverables, as mutually agreed between KPMG and DMVA upon Project kick-off.

Phase	Task	Hours	Budget
<u>Phase One</u>			
	1.1 Project kick-off	34	10,400
	1.2 Articulate Project scope	34	12,000
	1.3 Operational cost analysis	92	30,400
	1.4 Qualitative assessment	82	31,200
	1.5 Project scope	89	9,600
	1.6 Proejct life cycle cost forecast	86	6,400
<i>Phase One Subtotal</i>		417	\$ 100,000
<u>Phase Two</u>			
	2.1 Risk analysis	92	30,400
	2.2 Project and procurement schedule	68	14,400
	2.3 Financial modeling	128	48,000
	2.4 VfM	104	40,000
	2.5 Overall assessment and results	66	17,200
<i>Phase Two Subtotal</i>		458	\$ 150,000
<b>Grand Total</b>		<b>875</b>	<b>\$ 250,000</b>

Not included in this total are the fees for Phase Two (B) – optional market sounding exercise. Should the State and the Department of Military and Veteran Affairs decide to proceed with the market sounding, the budget for this task would range from \$65,000 for formal, in-person meetings with the potential bidders to \$35,000, if telephone interviews are preferred.

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

**CHANGE NOTICE NO. 9**  
 to  
**CONTRACT NO. 071B9200123**  
 between  
**THE STATE OF MICHIGAN**  
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
KPMG Corporate Finance, LLC 303 East Wacker Drive Chicago, IL 60601	Liam Kelly	liamkelly@kpmg.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(415) 963-5484	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	Executive	Joe Pavona	(517) 241-6009	Pavonaj1@michigan.gov
BUYER	DTMB	Lance Kingsbury	(517) 284-7017	kingsburyl@michigan.gov

CONTRACT SUMMARY:			
Financial & Strategic Consulting Services – Statewide			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 5, 2009	January 4, 2012	3 Years	February 3, 2015
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
2% Net 30	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input type="checkbox"/>	<input checked="" type="checkbox"/>	18 Months	August 3, 2016
VALUE/COST OF CHANGE NOTICE:		ESTIMATED REVISED AGGREGATE CONTRACT VALUE:		
\$0.00		\$14,930,500.00		
Effective February 3, 2015, this Contract is hereby extended through August 3, 2016. All other terms, conditions, specifications and pricing remain the same. Please note the Contract Compliance Inspector has been corrected. Per vendor and agency agreement, DTMB Procurement approval, and State Administrative Board approval on February 3, 2015.				

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. 8**  
 to  
**CONTRACT NO. 071B9200123**  
 between  
**THE STATE OF MICHIGAN**  
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
KPMG Corporate Finance, LLC 303 East Wacker Drive Chicago, IL 60601	Liam Kelly	liamkelly@kpmg.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(415) 963-5484	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR				
BUYER	DTMB	Lance Kingsbury	(517) 284-7017	kingsburyl@michigan.gov

CONTRACT SUMMARY:			
Financial & Strategic Consulting Services – Department of Treasury			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 5, 2009	January 4, 2012	3 Years	January 4, 2015
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
2% Net 30	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input type="checkbox"/>	<input type="checkbox"/>	30 Days	February 3, 2015
VALUE/COST OF CHANGE NOTICE:		ESTIMATED REVISED AGGREGATE CONTRACT VALUE:		
\$0.00		\$14,930,500.00		
Effective January 4, 2015, this Contract is hereby extended through February 3, 2015. All other terms, conditions, specifications and pricing remain the same. Per vendor and agency agreement, and DTMB Procurement approval.				

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

**CHANGE NOTICE NO. 7**  
 to  
**CONTRACT NO. 071B9200123**  
 between  
**THE STATE OF MICHIGAN**  
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
KPMG Corporate Finance, LLC 303 East Wacker Drive Chicago, IL 60601	Liam Kelly	liamkelly@kpmg.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(415) 963-5484	

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

CONTRACT SUMMARY:			
<b>Financial &amp; Strategic Consulting Services – Department of Treasury</b>			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 5, 2009	January 4, 2012	3 Years	January 4, 2015
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
2% Net 30	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/>	<input type="checkbox"/>	N/A	January 4, 2015
VALUE/COST OF CHANGE NOTICE:		ESTIMATED REVISED AGGREGATE CONTRACT VALUE:		
\$75,000.00		\$14,930,500.00		

Effective immediately, funds in the amount of \$75,000.00 and the following Financial & Strategic Consulting Services Addendum is hereby incorporated into this Contract. All other terms, conditions, specifications and pricing remain unchanged. Per vendor and agency agreement and DTMB Procurement approval.

## **Statement of Work for Financial and Commercial Advisory Services**

### **Background**

The Michigan Department of Natural Resources (DNR) is seeking a review of its Oil and Gas mineral leasing program to consider its efficiency and effectiveness in relation to the use of the State's natural resources. The Contractor will provide assistance to DNR to help frame the various fiscal and policy measures with respect to the State's mineral ownership and its contractual relationship with its lessees.

### **Services to be Provided**

The Contractor must provide analysis and suggested course(s) of action for the Oil and Gas lease program through a broad-based review that includes:

#### **Task 1- Review of the State's Existing Oil and Gas Lease Auction Program**

- Review oil and gas lease auction process, including review of parcel nominations, Bidder requirements, minimum bid price, and review of rental/royalty rates (e.g., selection of Contract auctioneer, English vs. Dutch auction, first-best vs. second-best pricing, sealed vs. open bid, minimum bid and bid increments, inclusion and level of audit fees, leasable land compilation process, selection of nomination period and nomination requirements/procedures, lease duration, and performance bond requirements).
- Review and provide comment from a commercial and risk allocation perspective oil and gas lease structure and lease terms and conditions.
- Review historical financial data on revenues generated from rent and bonus payments, over the past 10 years.
- Review historical financial data on costs to State attributed from oil and gas leasing, over the past 10 years.
- Review and comment on the administrative fee structure (e.g./ for nominations, lease assignments, lease extensions) as compared to the federal program and other states.
- Gather data on other similar auction process to Identify leading practices.
- Potentially attend an oil and gas lease auction to observe live processes (e.g., Bidder registration, security deposits, check-out processes and auctioneer functions). Interact via conference call or meetings with Department of Environmental Quality and Michigan Public Service Commission staff regarding production volumes, and DNR staff regarding the leasing program.

### **Excluded Services**

The scope of the optional additional services will continue to exclude the following services:

- Accounting policy review or advice, including constituting acceptance, endorsement or approval of any accounting application or compliance with any accounting standard or requirement.
- Providing guidance on cost accounting activities related to DNR on-going operations.
- Tax advice including provision of a formal opinion.

### **Engagement Team**

Liam Kelly, Engagement Leader  
Glenn George, Subject Matter Specialist  
Lain Tester, Engagement Director (lead on day-to-day basis)  
Sukanya Balachandran, Engagement Team Member  
Daniel Villegas, Engagement Team Member

If warranted, the Contractor will also rely on its network of Member Firms to identify subject matter professionals who may bring international experience on similar projects.

For DNR, the primary management team will consist of:

Mary Uptigrove, Manager, Minerals Management  
Julie Manson, Supervisor, Oil and Gas Lease Management Unit

**Reports**

The Contractor must provide three copies of an Executive Summary and Detailed Reports during each of the following stages:

- a. Draft Report
  - 1. Due by February 24, 2014
  - 2. Unbound copies
  - 3. DNR shall have 30 calendar days to provide comments (e.g., any misunderstandings or inconsistencies).
- b. Final Report
  - 1. Due by April 22, 2014 or 30 calendar days from receipt of DNR's Draft Report comments.
  - 2. Bound copies.

**Pricing**

The Contractor agrees to perform this engagement based upon the following fee structure on a time and materials basis as set out in the Contract.

Based on the information available, estimates of budget will be \$75,000.

Payment to be processed within 30 calendar days of DNR's acceptance that the reports meet the intent of the Contract and upon DNR's receipt of an acceptable invoice from KPMG at each stage:

- 1. Draft Report- \$30,000
- 2. Final Report- \$45,000

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

May 22, 2013

**CHANGE NOTICE NO. 6**  
 to  
**CONTRACT NO. 071B9200123**  
 between  
**THE STATE OF MICHIGAN**  
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
KPMG Corporate Finance, LLC 303 East Wacker Drive Chicago, IL 60601	Liam Kelly	liamkelly@kpmg.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(415) 963-5484	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR				
BUYER	DTMB	Lance Kingsbury	517-241-3768	<a href="mailto:kingsbury@michigan.gov">kingsbury@michigan.gov</a>

CONTRACT SUMMARY:			
DESCRIPTION: Financial & Strategic Consulting Services – Department of Treasury			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 5, 2009	January 4, 2012	3 Years	January 4, 2015
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
2% Net 30	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/>	<input type="checkbox"/>		January 4, 2015
VALUE/COST OF CHANGE NOTICE:		ESTIMATED REVISED AGGREGATE CONTRACT VALUE:		
\$10,000,000.00		\$14,855,500.00		

Effective immediately, this Contract is now a Statewide Contract available to all State agencies. This Contract is also INCREASED by \$10,000,000.00.

All other terms, conditions, specifications, and pricing remain the same.

Per agency request, DTMB Procurement approval, and the approval of the State Administrative Board dated May 21, 2013.



STATE OF MICHIGAN  
 DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET      January 12, 2012  
 PURCHASING OPERATIONS  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

**CHANGE NOTICE NO. 5**  
**TO**  
**CONTRACT NO. 071B9200123**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR  <b>KPMG Corporate Finance, LLC</b> <b>303 East Wacker Drive</b> <b>Chicago, IL 60601</b>		TELEPHONE (415) 963-5484 <b>Liam Kelly</b>
		BUYER/CA (517) 241-1916 <b>Jim Wilson</b>
Contract Compliance Inspector: Joe Pavona (517) 373-3223 <b>Financial &amp; Strategic Consulting Services – Department of Treasury</b>		
CONTRACT PERIOD:                      From: <b>January 5, 2009</b> To: <b>January 4, 2015</b>		
TERMS  <b>2% NET 30</b>	SHIPMENT  <b>N/A</b>	
F.O.B.  <b>N/A</b>	SHIPPED FROM  <b>N/A</b>	
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>		

**NATURE OF CHANGE (S):**

Effective immediately, rates will be determined on a project by project basis and will not exceed the \$400.00/hour blended rate. Also, effective immediately, the \$300,000.00 annual retainer fee is hereby removed for the life of the contract. All other terms, conditions, specifications, and pricing remain unchanged.

**AUTHORITY/REASON:**

Per agency request, Contractor agreement and DTMB/Procurement's approval.

**CURRENT AUTHORIZED SPEND LIMIT REMAINS:                      \$4,855,500.00**

STATE OF MICHIGAN  
 DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET December 29, 2010  
 PURCHASING OPERATIONS  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

**CHANGE NOTICE NO. 4**  
**TO**  
**CONTRACT NO. 071B9200123**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR  <b>KPMG Corporate Finance, LLC</b> <b>303 East Wacker Drive</b> <b>Chicago, IL 60601</b>  <p style="text-align: right;">liamkelly@kpmg.com</p>	TELEPHONE (415) 963-5484 <b>Liam Kelly</b>
	BUYER/CA (517) 241-1916 <b>Jim Wilson</b>
	Contract Compliance Inspector: Joe Pavona (517) 373-3223 <b>Financial &amp; Strategic Consulting Services – Department of Treasury</b>
CONTRACT PERIOD: From: <b>January 5, 2009</b> To: <b>January 4, 2012</b>	
TERMS <p style="text-align: center;"><b>2% NET 30</b></p>	SHIPMENT <p style="text-align: center;"><b>N/A</b></p>
F.O.B. <p style="text-align: center;"><b>N/A</b></p>	SHIPPED FROM <p style="text-align: center;"><b>N/A</b></p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;"><b>N/A</b></p>	

**NATURE OF CHANGE (S):**

This Contract is **AMENDED** to include cost for optional service identified in Sections 1.104.6 (Development of Reference Case for value for money analysis purposes and building of other financial models), and Attachment A (Optional Services).

Contractor will provide financial and strategic advisory services that includes identifying financing/procurement options for Transportation projects, analyze procurement options, assist in procurement strategy to maximize Federal assistance programs, etc.

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

**AUTHORITY/REASON:**

Per agency request, Contractor agreement and DTMB/Purchasing Operations' approval.

**CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$4,855,500.00**

**Contract 071B9200123  
Change Notice No. 4  
Signature Block**

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**FOR THE CONTRACTOR:**

**KPMG Corporate Finance, LLC**

Firm Name

Authorized Agent Signature

Authorized Agent (Print or Type)

Date

**FOR THE STATE:**

Signature

**Jeff Brownlee, Chief Procurement Officer**

Name/Title

**DTMB, Procurement**

Division

Date

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

May 14, 2010

**CHANGE NOTICE NO. 3**  
**TO**  
**CONTRACT NO. 071B9200123**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR  <b>KPMG Corporate Finance, LLC</b> <b>303 East Wacker Drive</b> <b>Chicago, IL 60601</b>		TELEPHONE (312) 665-1204 <b>Liam Kelly</b>
		BUYER/CA (517) 241-1916 <b>Jim Wilson</b>
Lkelly2@kpmg.com		
Contract Compliance Inspector: Joe Pavona (517) 373-3223 <b>Financial &amp; Strategic Consulting Services – Department of Treasury</b>		
CONTRACT PERIOD: From: <b>January 5, 2009</b> To: <b>January 4, 2012</b>		
TERMS <b>2NET30</b>	SHIPMENT <b>N/A</b>	
F.O.B. <b>N/A</b>	SHIPPED FROM <b>N/A</b>	
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>		

**NATURE OF CHANGE (S):**

This Contract is **AMENDED** to include cost for optional service identified in Sections 1.104.6 (Development of Reference Case for value for money analysis purposes and building of other financial models), and Attachment A (Optional Services).

Contractor will provide financial and strategic advisory services that includes the development of business plans, value for money analysis, and ancillary services around options for shared services, including potential public-private partnership opportunities per the attached Work Plan for Shared Services Initiative proposal (see attachments).

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

**AUTHORITY/REASON:**

Per agency request, Contractor agreement and DTMB/Purchasing Operations' approval.

**CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$4,855,500.00**

## **Work Plan for Shared Services Initiative**

This document presents KPMG LLP's work plan for assisting the State, COGs, ISDs, and local governments and school districts with the Governor's Shared Services Initiative. Our work plan incorporates the following items:

- Our understanding of the State's and CRC's plan for assisting COGs, ISDs, and local governments and school districts with this Initiative
- The role KPMG will have in assisting in this Initiative
- Procedures that KPMG would follow to develop approved work plans for this Initiative.

### **Framework for Shared Services Initiative**

Based on meetings and work sessions with the State and CRC and the proposal for foundation support for the Shared Services Initiative, Attachment 1 presents our understanding of the typical steps and analyses that would be performed by COGs, ISDs, and local governments and school districts in assessing the shared services concept for their situations. Attachment 1 was developed in conjunction with the State team leading the Shared Services Initiative.

### **KPMG's Role and Services**

KPMG's role and services will depend on the specific needs for assistance that COGs, ISDs and local governments and school districts have as they assess shared services options of interest to them. The types of services that we anticipate providing are as follows:

- Assist in the development of all or parts of the shared services business case and implementation plan called for in Step 2 of Attachment 1
- Assist in the definition/scoping of the shared services concept called for in Step 1 of Attachment 1
- Provide implementation support as requested by implementing agencies in Step 4 of Attachment 1
- Provide facilitation support to agencies in carrying out the four step shared services process in Attachment 1

In some cases, a single service may be provided by KPMG while in other situations, two or more of the above services may be requested by participating agencies.

### **Developing an Approved Work Plan**

When KPMG's assistance in the shared services initiative is requested, KPMG will submit a work plan, schedule and budget to the State/CRC within 48 hours of receiving the request. It is our understanding that the State/CRC will endeavor to review the work plan within 48 hours. KPMG's will start work upon receipt of work plan approval.

# Attachment 1

## State of Michigan Shared Services Plan

### Assessment Framework

Key roles of participants in shared services assessments are summarized below:

- COGs, ISDs, and local governments own effort.
- COGs, ISDs, and local governments identify the collaboration effort and the service(s) to be shared.
- COGs, ISDs, and local governments will structure and conduct the shared services analysis utilizing the SEMCOG tool kit.
- CRC is responsible for managing the Advisors and assisting the COGs in identifying the appropriate assistance as needed.
- Advisors will assist, as requested, by COGs in preparing the business case(s) and implementations plan(s).
- Local Governments will make “go or no go” decision.
- Implementation is the responsibility of the local governments with assistance from the COGs, as requested.

### How the Process Will Work

The key steps in assessing shared services opportunities are presented below:

1. Develop the Concept and Engage Stakeholders (COGs, ISDs and local governments);
  - a. Provide information on the long-term budget outlook for communities to affirm the necessity for “doing something different”
  - b. Provide examples and case studies of successful shared and collaborative service efforts including how potential impediments are overcome
  - c. Identify stakeholders that must be engaged including affected constituents from community groups, unions, elected officials, and the media
  - d. Facilitate the process including conducting meetings, addressing interpersonal and political concerns and providing planning resources
  - e. Identify and define the collaboration effort and the service(s) to be shared
  - f. Sign-off on the concept by all affected local governments
  
2. Develop the Business Case & Implementation Plan (COGs, ISDs and local governments with advisory assistance);
  - a. Gather current cost, workload, staffing and service level performance measures
  - b. Document service objectives (e.g. cost and service levels)
  - c. Develop Business Case

- i. Service impacts
- ii. Staffing impacts
- iii. Process, facility and technology impacts
- iv. Time to implement/schedule impacts
- v. Current costs and fiscal impacts
- vi. Identifying governance, fiscal, legal and related issues
- vii. Prepare Business Case deliverable
- viii. Present Business Case to local governments
- ix. Approve Business Case (local governments)

d. Create Implementation Plan

- i. Decide on overall migration strategy
- ii. Develop detailed migration plans for selected functions/ processes
- iii. Identify staffing requirements and appropriate training
- iv. Include steps to develop the technology migration plan
- v. Include steps to develop the facilities plan
- vi. Develop shared services agreements including performance measures with provisions for monitoring and reporting
- vii. Address governance, fiscal, legal and related issues and barriers
- viii. Prepare Implementation Plan deliverable
- ix. Present Implementation Plan to local governments

3. Make the Go/No Go Decision

4. Implement the Local Shared Services Plan

- a. Obtain needed resources
- b. Implement the Plan

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

January 13, 2010

**CHANGE NOTICE NO. 2**  
**TO**  
**CONTRACT NO. 071B9200123**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR		TELEPHONE (312) 665-1204
<b>KPMG Corporate Finance, LLC</b> <b>303 East Wacker Drive</b> <b>Chicago, IL 60601</b>  <b>Lkelly2@kpmg.com</b>		<b>Liam Kelly</b>
		BUYER/CA (517) 241-1916
Contract Compliance Inspector: Joe Pavona (517) 373-3223		
<b>Financial &amp; Strategic Consulting Services – Department of Treasury</b>		
CONTRACT PERIOD: From: <b>January 5, 2009</b>		To: <b>January 4, 2012</b>
TERMS	SHIPMENT	
<b>2NET30</b>		<b>N/A</b>
F.O.B.	SHIPPED FROM	
<b>N/A</b>		<b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS		
<b>N/A</b>		

**NATURE OF CHANGE (S):**

This Contract is **AMENDED** to include cost for optional service identified in Sections 1.104.6 (Development of Shadow Bid Model and Scenario Run), and Attachment A (Optional Services). Contractor will provide financial advisory services for the Detroit River International Crossing to solicit public/private partnership proposals per Senate Bill 254 of 2009, Section 384, and proposal dated October 29, 2009.

Additionally, this Contract is hereby **INCREASED** by \$1,620,000.00

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

**AUTHORITY/REASON:**

Per agency request, Contractor agreement and DMB/Purchasing Operations' approval.

**REVISED CURRENT AUTHORIZED SPEND LIMIT: \$4,855,500.00**



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

February 19, 2009

**CHANGE NOTICE NO. 1**  
**TO**  
**CONTRACT NO. 071B9200123**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR  <b>KPMG Corporate Finance, LLC</b> <b>303 East Wacker Drive</b> <b>Chicago, IL 60601</b>		TELEPHONE (312) 665-1204 <b>Liam Kelly</b>
		BUYER/CA (517) 241-1916 <b>Jim Wilson</b>
Lkelly2@kpmg.com		
Contract Compliance Inspector: Joe Pavona (517) 373-3223 <b>Financial &amp; Strategic Consulting Services – Department of Treasury</b>		
CONTRACT PERIOD: From: <b>January 5, 2009</b> To: <b>January 4, 2012</b>		
TERMS  <b>2NET30</b>	SHIPMENT  <b>N/A</b>	
F.O.B.  <b>N/A</b>	SHIPPED FROM  <b>N/A</b>	
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>		

**NATURE OF CHANGE (S):**

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

The Contractor's hourly rates for any projects resulting from the receipt of federal stimulus dollars under the American Recovery and Reinvestment Act of 2009 must not exceed the project management hourly rates for the MiJump Start program.

All other terms, conditions, and pricing remain unchanged.

**AUTHORITY/REASON:**

Per request of DMB/Purchasing Operations and approval by Liam Kelly, KPMG Corporate Finance, LLC, via email dated 2/13/09.

**CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$3,235,500.00**

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

January 9, 2009

**NOTICE**  
**TO**  
**CONTRACT NO. 071B9200123**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR  <b>KPMG Corporate Finance, LLC</b> <b>303 East Wacker Drive</b> <b>Chicago, IL 60601</b>  <p style="text-align: right;"><b>Lkelly2@kpmg.com</b></p>	TELEPHONE (312) 665-1204 <b>Liam Kelly</b>
	BUYER/CA (517) 241-1916 <b>Jim Wilson</b>
Contract Compliance Inspector: Joe Pavona (517) 373-3223 <b>Financial &amp; Strategic Consulting Services – Department of Treasury</b>	
CONTRACT PERIOD: From: <b>January 5, 2009</b> To: <b>January 4, 2012</b>	
TERMS <p style="text-align: center;"><b>2NET30</b></p>	SHIPMENT <p style="text-align: center;"><b>N/A</b></p>
F.O.B. <p style="text-align: center;"><b>N/A</b></p>	SHIPPED FROM <p style="text-align: center;"><b>N/A</b></p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;"><b>N/A</b></p>	

The terms and conditions of this Contract are those of this Contract Agreement, the Contractor's proposal dated June 9, 2008, and clarifications dated July 30, August 20, September 9 and October 22, 2008. In the event of any conflicts between the specifications, and terms and conditions, indicated by the State and those indicated by the Contractor, those of the State take precedence.

**Current Authorized Spend Limit: \$3,235,500.00**

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

**CONTRACT NO. 071B9200123  
 between  
 THE STATE OF MICHIGAN  
 and**

NAME & ADDRESS OF CONTRACTOR  <b>KPMG Corporate Finance, LLC          303 East Wacker Drive          Chicago, IL 60601</b>  <div style="text-align: right;">Lkelly2@kpmg.com</div>	TELEPHONE (312) 665-1204 <b>Liam Kelly</b>  BUYER/CA (517) 241-1916 <b>Jim Wilson</b>
Contract Compliance Inspector: Joe Pavona (517) 373-3223 <b>Financial &amp; Strategic Consulting Services – Department of Treasury</b>	
CONTRACT PERIOD: From: <b>January 5, 2009</b> To: <b>January 4, 2012</b>	
TERMS <div style="text-align: center;"><b>2NET30</b></div>	SHIPMENT <div style="text-align: center;"><b>N/A</b></div>
F.O.B. <div style="text-align: center;"><b>N/A</b></div>	SHIPPED FROM <div style="text-align: center;"><b>N/A</b></div>
MINIMUM DELIVERY REQUIREMENTS <div style="text-align: center;"><b>N/A</b></div>	
MISCELLANEOUS INFORMATION:  <p>The terms and conditions of this Contract are those of this Contract Agreement, the Contractor's proposal dated June 9, 2008, and clarifications dated July 30, August 20, September 9 and October 22, 2008. In the event of any conflicts between the specifications, and terms and conditions, indicated by the State and those indicated by the Contractor, those of the State take precedence.</p> <p>Current Authorized Spend Limit: <b>\$3,235,500.00</b></p>	

**THIS IS NOT AN ORDER: Orders for delivery may be issued directly by the Department of Treasury through the issuance of a Purchase Order Form.**

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

<b>FOR THE CONTRACTOR:</b>  <div style="text-align: center; border-bottom: 1px solid black; margin-bottom: 5px;"><b>KPMG Corporate Finance, LLC</b></div> <div style="text-align: center; margin-bottom: 5px;">Firm Name</div> <div style="text-align: center; border-bottom: 1px solid black; margin-bottom: 5px;"> </div> <div style="text-align: center; margin-bottom: 5px;">Authorized Agent Signature</div> <div style="text-align: center; border-bottom: 1px solid black; margin-bottom: 5px;"> </div> <div style="text-align: center; margin-bottom: 5px;">Authorized Agent (Print or Type)</div> <div style="text-align: center; border-bottom: 1px solid black; margin-bottom: 5px;"> </div> <div style="text-align: center; margin-bottom: 5px;">Date</div>	<b>FOR THE STATE:</b>  <div style="text-align: center; border-bottom: 1px solid black; margin-bottom: 5px;"> </div> <div style="text-align: center; margin-bottom: 5px;">Signature</div> <div style="text-align: center; border-bottom: 1px solid black; margin-bottom: 5px;"><b>Kristi L. B. Thompson, Director</b></div> <div style="text-align: center; margin-bottom: 5px;">Name/Title</div> <div style="text-align: center; border-bottom: 1px solid black; margin-bottom: 5px;"><b>Services Division, Purchasing Operations</b></div> <div style="text-align: center; margin-bottom: 5px;">Division</div> <div style="text-align: center; border-bottom: 1px solid black; margin-bottom: 5px;"> </div> <div style="text-align: center; margin-bottom: 5px;">Date</div>
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**Attachment A, Price Proposal**  
**Attachment B, Initial Project Plan**



## **Article 1 – Statement of Work (SOW)**

### 1.0 Project Identification

#### **1.001 Project Request**

This Contract is for Financial & Strategic Consulting Services. The objective of the Contract is to obtain strategic, financial and business analysis as needed.

#### **1.002 Background**

The State of Michigan (State) has partnered with the private sector in many different ways to acquire goods and services or accomplish goals it could not do on its own or as effectively since its inception. Some examples of such partnerships include:

- purchasing paper and pencils or building roads, which the private sector can produce more cost effectively than the State
- extracting oil and gas from State lands, where private sector firms leased mineral rights and provided capital for exploration and development and the State shared in the proceeds from the products extracted
- entering into a legal partnership with a money management firm to invest in real estate for the State's pension funds.

In many instances, State and local governments have also created tax increment financing districts to provide seed money or lower taxes to private sector businesses to help the businesses get started or cover a portion of the capital costs.

Many state and local governments as well as the federal government have begun to partner with private sector firms in new ways to make better use of the states' assets and receive a greater return. For example, a number of state and local governments have turned to private sector firms to develop land the state owns. The state or local government provides the land and the developer provides the capital to develop the land which increases its value; the government and the developer share in the profits of the development while creating jobs and future tax revenue for the state.

Higher gasoline prices have resulted in lower gas taxes and less money for public road building. In this situation, private sector firms have stepped up to provide the capital for road building and then collect tolls to pay for the road or road improvements. Another example is the federal government's use of private sector firms to infuse capital into some national parks for maintenance and upgrades to infrastructure and facilities in exchange for the opportunity to earn a return by managing the lodgings and concessions.

### 1.1 Scope of Work and Deliverables

#### **1.101 In Scope**

The Contractor will provide financial and strategic consulting services to the Department of Treasury, under the charge of the Executive Office and its staff to assist the State with the assessment of governance and financial models, assist the State in securing necessary advisors, and provide leadership to the advisors on behalf of the State. These services shall be subject to reasonable deadlines established by the State and the requirements of Michigan statutes. In fulfilling this Contract, the Contractor will be responsible to take direction from the State and designated staff.

The scope of work includes strategic, financial, feasibility, assessment, recommendation, implementation and post-implementation consulting services.

#### **1.102 Out of Scope – Deleted/Not Applicable**

#### **1.103 Environment – Deleted/Not Applicable**

#### **1.104 Work and Deliverable**

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





## 1.0 Assessment

- 1.1 Provide written, objective advice to the State on options and the appropriate structure for each individual transaction (e.g. asset, concession, financial transaction, etc.). This advice must be provided in a written format approved by the Contract Compliance Inspector (CCI). The advice may include, but not be limited to the following:

*1.1.1 Assessment of the governance related to the transaction.:*

In relation to the assessment of governance for a transaction, the Contractor will work with the State along a number of key themes, two of which are summarized below:

*1.1.1.a Verify that a transaction is right for a PPP model.*

The Contractor will work with the CCI to assess whether a PPP procurement model meets policy and strategic infrastructure objectives.

*1.1.1.b Become an effective partner.*

To realize the full potential of an alternative delivery model the State will need to focus on laying a foundation for a successful PPP relationship. Regardless of the type of capital investment or the scope of the contract, it is critical that the State demonstrate that it will be an effective and reliable partner to its private sector counterpart. In this context, there are several alternatives when determining the scope and objectives of a project delivery approach:

- *Debate strategic issues early in the process.*
- *Determine the scope of the initiative.*
- *Establish and proactively communicate a clear message on project benefits.*
- *Commit to the project.*

- 1.1.1.c* The Contractor will work closely with the State of Michigan staff to help craft policy and project benefits messages, and will develop the supporting materials that Michigan leadership and elected officials will need as they make the case for a project delivery approach.

*1.1.2 Assessment of the financial models and estimated value to be received for the transaction.*

The Contractor will be acting in a review and assessment capacity only with the detailed financial models being produced by another party. The first step in the review of a financial model is to understand the financial, economic and commercial drivers and assumptions that underpin the model. This process will involve a meeting with the financial modeler and/or team who is/are responsible for the preparation of the financial model, as well as with the target audience who will base their decisions on the model outputs.

As individual projects move into the implementation phase the State may need more detailed financial models to assist in benchmarking the bidders' proposals, to provide additional justification for the procurement approach and underpin the value for money analysis. These models, which are often developed by the project implementation team and their advisors, are typically considerably more detailed than the ones used to undertake option assessment and recommendation and to determine project feasibility. These models often become very granular in respect to construction and operating cashflows and include detailed risk quantification and simulation and as a result often exceed 10 megabits in size.

The initial objective of these discussions is to start the Contractor's review with a clear understanding of the model's intended function and the decisions that are to be based on its output.

The key steps in this process are:

*1.1.2.a High level structural review.*

- Examining trends in, among other things, total revenue, total costs, tariffs, debt accretion and amortization, cash cascade, and key financing ratios.
- Investigating any anomalies.



- 1.1.2.b Produce review documentation.
  - Running our proprietary model audit software on the model and assessing, for example, the model's integrity and consistency of formulae.
  - Investigating any anomalies.
- 1.1.2.c Conduct manual calculation check.
  - Identifying key and / or complex calculations.
  - Manually re-performing calculations for a small sample, where appropriate.
- 1.1.2.d Perform detailed logic check.
  - Identifying key and / or complex calculations.
  - Reviewing and testing the model's logic and flexibility, as well as its ability to meet a range of scenarios.
- 1.1.2.e Conduct sensitivity analysis.
  - Analyzing and understanding how the business case and financial model performs under a range of scenarios that test, among other things, changes in rates, capital cost overruns, operating cost downside, inflation downside, and interest rate risk.
- 1.1.2.f Review financial model data book / assumptions book.
  - Systematically testing the financing, economic and commercial assumptions that underpin the model for their validity, appropriateness and reasonableness for a given deal structure.
- 1.1.2.g Provide feedback.
  - Providing feedback as part of the review and acknowledging that this is an ongoing and iterative process.
  - Communicating with both the financial modeler and senior management.

### 1.1.3 *Assessment of the feasibility for the transaction.*

The feasibility of a transaction will need to be carefully evaluated, and in its final form the CCI will need to proactively communicate the case for the strategy. Within this task the Contractor anticipates the following steps being performed:

- Agreeing on the feasibility criteria
- Preparing a feasibility report for the Contract Compliance Inspector to enable you to publicly make the case for the transaction and validate your decision making
- Developing and assessing potential options for the procurement process
- Preparing a financial and commercial risk matrix

### 1.1.4 *Assessment of the strengths, weaknesses, opportunities and threats in undertaking a transaction relating to the operations of State government.*

The Contractor will perform the following actions as needed:

- Consulting with stakeholders;
- Preparing "white papers" detailing key risk issues in the proposed transaction based on national and international precedent; and
- Advising on transaction structure based on the initial feasibility results

*Note: The State anticipates approximately 12 option assessments to be completed per year. Approximately one-third of the option assessments will be relatively straight-forward, one-third will be of intermediate complexity, and one-third will be multi-faceted in complexity.*

## **2.0 Recommendation**

- 2.1 Upon CCI approval, provide recommendation(s) for which options should be implemented resulting from this contract in a format approved by the CCI that includes, but not limited to the requirements listed in this section. The State anticipates approximately three to six option recommendations to be developed per year. Approximately one-third of the option recommendations will be relatively straight-forward, one-third will be of intermediate complexity, and one-third will be multi-faceted in complexity.



2.1.1 *Return on Investment (ROI)*

There are several metrics that are used for the assessment of the return on investment, including, but not limited to: Project Internal Rate of Return, Equity Internal Rate of Return, Net Present Value, invested equity payback period, and return on invested capital/equity. Such metrics could be used to measure the potential profitability and return at the project level (cash to debt and equity providers) and the equity level (cash flows to equity providers).

The required return on the investment would differ from project to project depending on the characteristics of the project, including the:

- type of transaction (e.g., existing asset, new build),
- type of project (e.g., toll road/bridge, water, waste, education, accommodation),
- business model (e.g., user fees, availability payments), and
- detailed risk allocation.

For the purposes of the developing the recommendations to the State for the assessed projects, the Contractor shall:

- perform a benchmarking analysis and identify the return on investment from similar transactions in the US and abroad,
- evaluate the current market conditions and liquidity that have an impact on the appetite of the private sector (both debt and equity providers), and
- assess the specific risk characteristics of the project.

2.1.2 *Impact on Michigan’s Economy*

The Contractor will conduct a strategic level economic impact analyses appropriate to the level of the options under consideration. This will range from a high level market and state financial impact study for those that are straight-forward, to more involved market studies and true economic impact studies for those that are multi-faceted. The Contractor’s team will discuss with the State project team the appropriate depth and breadth for the options under consideration.

As deemed necessary by the State, the Contractor will conduct an economic impact study. The Contractor will do so in terms of metrics such as employment, earnings, output, and fiscal impact to the State. An economic impact analysis is a means of examining relationships within an economy among the option in question and other businesses and consumers. Using multipliers that describe the response of the economy to a stimulus, the Contractor will construct a predictive model that examines how final demand purchases create subsequent rounds of spending in a specified geography. These subsequent rounds of spending, or “ripple” effects, create jobs and personal income and continue doing so until leakages finally terminate the spending cycle. The Contractor’s analysis will capture the impact of such secondary impacts.

In order to estimate “ripple” effects created by new direct spending, the Contractor will employ the “IMPLAN” model, a well-known and well-accepted Input-Output modeling and database system. Input-Output modeling captures the complex inter-relationships among industries in the economy and shows, for example, the inputs each industry requires from all other industries to produce a dollar of output. The IMPLAN model contains detailed estimates of these inputs for hundreds of industry sectors for a given geographic study area. Based on these IMPLAN estimates and the relevant estimates derived in the first sub-task, the analysis will include estimation of the direct and indirect effects for each impact category listed in the following table.

**Type of Economic Impact:**

<u>Type of Impact</u>	<u>Direct Impacts</u>	<u>Indirect Impacts</u>
<b>Impact Coverage</b>	The initial impact caused by the first round of spending or stimulus.	All subsequent impacts created by inter-industry spending and household spending in response to the direct impact
<b>Total Impact</b>	<b>Direct + Indirect Impacts</b>	



### 2.1.3 *Risk Framework*

One of the fundamental concepts of the public private partnership model is the transfer of specific risks to the private sector. The idea is that each party in the transaction is retaining those risks that they are better positioned to manage. This risk allocation would require first the identification and assessment of the risks related to the development each project. At this early stage of setting strategic objectives and assessing the overall project feasibility, the main purpose of the exercise is the identification of the key/high level risks and how they affect the successful procurement and development of the project.

The Contractor has developed a process for the identification and assessment of such risk at this early stage. Some of the questions that will be addressed in the process of identifying these risks are:

- How well the recommended project integrates with the existing infrastructure and other planned projects in the region or State?
- How project specific elements of design and construction affect the delivery of the project including: land/ROW, utilities, rail, site conditions, technology, constructability, etc.
- Which party is better positioned to manage operation and maintenance of the project? What is the level of performance requirements the public authority wants to implement?
- What is the type of demand for the project and which are the main factors driving it?
- How important do the key stakeholders and the public consider the development of the project and how are they viewing specific solutions for its implementation?
- What are the required/pending approvals from agencies/authorities and the federal government and other schedule issue that could affect the procurement of the project?

The level of any risk inherent to any project will affect its suitability to be developed under a specific PPP model. At this stage of the analysis, the level of risk is assessed on an order of magnitude basis as follows:

- Low – Any risk that is common for projects of this sort. A risk that the public sector believes is relatively easy to manage and/or will pose no significant threat/delay/extra cost to the project.
- Moderate – Any risk that is unusual or uncommon for such projects. Any risk that the public sector will consider complicated to manage or will cause a delay in the project completion or increase in the associated costs.
- High – Any risk that is highly unusual or unique for the project. A risk that cannot be managed or could threaten the completion of the project or prohibitively increase its cost.

When a project reaches the implementation phase, a more detailed risk assessment will be required in order to determine the preferred or optimal risk allocation and set the commercial terms for the transaction.

Although, the setting of the risk framework should be an independent exercise; the resulting identified risks and the potential allocation should be evaluated versus the objectives and priorities of the public sector. There are a large number of inter-connecting and sometimes apparently mutually exclusive policy objectives and commercial requirements inherent in the development of such projects. This requires identifying the key project parameters and highlighting their interaction with the policy framework and the underlying objectives. It is also important that the reasonable objectives and requirements of the private sector and the financing market are taken into account in order to maximize market interest for the development of a project.



2.1.4 *Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis for the Proposed Recommendation(s)*

The Contractor will conduct a SWOT analysis for each option under consideration as part of the option assessment and resulting recommendations. Along with the analyses described in the previous sections, it will contribute to the basis of objective information and informed judgment that will underpin the Contractor's recommendations. Provided this analysis can be communicated effectively to stakeholders it should assist in providing a factual basis for future policy debate.

### **3.0 Implementation**

- 3.1 Provide consultation for implementation of an approved recommendation(s). The CCI will approve recommendation(s). The State anticipates approximately three to five of the recommendations to be implemented per year. Approximately one-third of the recommendations to be implemented will be relatively straight-forward, one-third will be of intermediate complexity, and one-third will be multi-faceted in complexity. Consultation includes, but not limited to, the following:
- 3.1.1 Provide project implementation support and benchmark achievement analysis for recommendation(s) as needed, including reviewing periodic progress reports and recommending actions. The CCI must approve the format. Based on the project schedule and work plan, the Contractor will benchmark the achievement of milestones, assist in identifying the impact on the critical path for the procurement of the project and recommend ways to mitigate and overcome potential delays.
- 3.1.2 Assist the State in securing the necessary Advisors for assessing and implementing recommendation(s) (e.g. financial, legal, business, etc. advisors). Assistance with securing the necessary advisors may include, but not limited to, identification, selection criteria development and selection. The Contractor shall work with the State to:
- Identify need of advisors and the specific disciplines.
  - Make recommendations on roles and responsibilities for advisors.
  - Assist in determining the selection criteria.
  - Support in the evaluation of the submitted proposals.
- 3.1.3 Provide project management to the Advisors with and on behalf of the State.
- 3.1.4 Provide as needed, assistance to the State in the purchasing process for the approved recommendation(s) (e.g. RFI, RFQ, RFP and/or ITB process). The Contractor would assist in the process from recognition of need through implementation of contractual deliverables. Assistance may include, but not limited to, the following:
- 3.1.4.1 *Development of RFI, RFQ, RFP and/or ITB documents with involvement from State staff and advisors.*
- At the RFI/RFQ stages the Contractor will assist the project team, amongst others, in:
- Presenting the scope of the project in a way that will be attractive and comprehensive to the private sector
  - Providing suggestions on financial elements of the RFQ (e.g. financial capacity requirements, conceptual plans, qualifications and experience requirements)
  - Highlighting potential conflict of interest issues
  - Input in the response to the clarification questions of the potential proposers
  - Advising on the development of selection/evaluation criteria and evaluation manual for the RFQ



At the RFP/ITB stage assistance will include:

- Determining scope of the project in a way that will maximize competition while ensuring that the public objectives are met
- Advising on the development of the evaluation criteria
- Guidance on the instructions to bidders with regards to the financial proposal including:
  - financial model
  - financial Plan
  - information about the equity and debt providers
  - commitment letters
  - security
- Identifying potential sources of federal funding and advising on the procedures needed to be pursued for obtaining such financing (e.g. TIFIA, PABs)
- Advising on the development of selection/evaluation criteria and evaluation manual for the RFP

3.1.4.2 *Contribute to the bidder evaluation and selection process.*

As a step following the release of the RFQ, RFP and ITB the Contractor will provide bid evaluation services. Once the key bid variables have been determined and agreed upon, the broad outline of the suggested approach to bid evaluation to be undertaken by the project working groups is split into three stages:

- Assessing bid responsiveness - the required tasks may include, but are not limited to, reviewing:
  - Provision of security;
  - Provision of full and complete technical solution; and
  - Provision of a full and complete financial solution.
- Assessing pass / fail criteria - the required tasks may include, but are not limited to:
  - Reviewing and assessing bid security;
  - Analyzing financial capacity and strength of proposers and their sponsors;
  - Reviewing proposers' financial models with respect to submittal requirements;
  - Reviewing sufficiency of proposed financial plan; and
  - Reviewing senior lenders and equity support letters.
- Evaluating bids - the required tasks may include, but are not limited to:
  - Advising on development and drafting of evaluation criteria and appropriate weighting/evaluation methodologies for procurement documents;
  - Advice related to one-on-one meetings, workshops and debriefings with proponents.

The contractor may be requested to serve as a facilitator to evaluation committees for qualification statement and proposal submissions and providing strategic advice to State staff and advisors in negotiations to achieve commercial and/or financial close once an apparent best value proponent has been identified.





3.1.4.3 *Work with State staff to execute contract(s) for recommendation(s).*

The Contractor will assist the State staff in:

- Providing high level advice on commercial terms including but not limited to:
  - term of contract
  - termination provisions
  - refinancing gain
  - compensation provisions
  - handback requirements
  - revenue sharing
  - long stop date
  - payment mechanism
  - contract security
  - lenders' rights
- Providing feedback on policies and terms adopted in other jurisdictions and potential merits or problems identified.
- Drafting briefing papers on key policy issues or commercial positions.
- Analyzing implications of various positions with respect to risk transfer.
- Providing private sector's perspective through exposure to working with or against almost all the major players all over the world.
- Identifying structures and business activities that can optimize or supplement revenue generation.
- Advising the teams involved in the direct commercial negotiations
- Advising on appropriate lending terms

3.1.4.4 *Provide project management consultation of the contract and/or concession from implementation until the final milestone is achieved.*

- 3.1.5 Work with the State to establish effective performance standards for the contracts resulting from the assessment(s) and/or recommendation(s) of this Contract, other financial transaction, asset, etc. The contractors resulting from the assessment(s) and/or recommendation(s) must provide the State with the same or better service to customers (internal and external) once the asset is in the hands of a concessionaire.
- 3.1.6 Assist in the development of procedures to provide oversight and performance monitoring of contractors/advisors and State resources related to implementation resulting from recommendation(s) and/or implementation(s). This includes establishing the requisite resources and training needed.

#### **4.0 Post-Implementation**

- 4.1 Transfer the oversight and performance monitoring function knowledge of implemented recommendation(s) to specified State staff, if applicable. Documentation and training must be provided to the State for knowledge transfer.

#### **5.0 General**

- 5.1 Maintain regular communications with the State, which would include frequent telephone consultations as well as regular on-site visits in order to effectively accomplish all of the services required by this Contract (also see section 1.3).
- 5.2 The Contractor will be responsible for working with the State and other contractors/advisors to assist with the deliverables of this contract and resolutions.
- 5.3 Participate and/or represent the State at public meetings, legislative hearings, regulatory meetings, and trade group meetings, etc. Inspire and facilitate a positive public perception. This includes addressing legislative and regulatory requirements of the recommendation(s).



- 5.4 The State will provide physical workspace for Contractor staff at a Lansing office. Included in this workspace are basic office furniture, telephone for local calls, and a PC configured to meet State requirements. In some instances, Contractor staff shall be required to share a cubicle and telephone. In all instances, each individual Contractor staff person shall be provided a PC and shall not be required to share a PC. The State will not supply parking, cell phones or pagers as part of this contract for the contractor's staff. As of the start date of this Contract, five working spaces will be sufficient for the Contractor's team. The maximum number of spaces the Contractor anticipates at any one time is 10.

## **6.0 Optional Services**

The following are some of the additional services that may be used by the State at the State's sole discretion:

- Development of Shadow Bid Model and scenario run.
- Development of Reference Case for value for money analysis purposes and building of other financial models.
- Assistance in preparing and structuring financial plans for federal credit assistance programs such as PABs and TIFIA.
- Support in negotiations with US DOT officials.
- Detailed evaluation of bidders RFP responses.
- Detailed advice on contractual documentation and attendance at bidder one on one negotiations.

### 1.2 Roles and Responsibilities

#### **1.201 Contractor Staff, Roles, and Responsibilities**

Contractor must provide a Project Manager to act as a central point of contact for all contractual activities. The Contractor must also provide sufficient staff as needed to fulfill the requirements of this Contract. In addition to any supplemental staff to be assigned as needed, the following staff members will be responsible for providing services:

Project Manager: Liam Kelly  
Lead for Assessment & Recommendation: Brad Watson  
Lead for Implementation Phase: Iain Tester  
Policy & Communication Leadership Support: John DiRenzo  
Lead for Post-Implementation Phase: Gordon Postle

#### **1.202 State Staff, Roles, and Responsibilities**

Contract Compliance Inspector: See section 2.015.

#### **1.203 Other Staff, Roles, and Responsibilities**

Advisors: Financial, Legal, business and related advisors, if applicable per section 1.104.3.1.2.

### 1.3 Project Plan

#### **1.301 Project Plan Management**

1. The Contractor will carry out this project under the direction and control of the Contract Compliance Inspector.
2. Although there will be continuous liaison with the Contractor team, the CCI will meet monthly at a minimum, or as requested by the CCI, with the Contractor's project manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.
3. See Attachment B for initial project plan.
4. Within five working days of the start date of the Contract, the Contractor will submit to the CCI for final approval a work plan. This final work plan must be in agreement as proposed by the Contractor and accepted by the State for this Contract, and must include the following:





- a. The Contractor's project organizational structure.
- b. The Contractor's staffing table with names and title of personnel assigned to the project. This must be in agreement with staffing of accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the State.
- c. The project breakdown showing sub-projects, activities and tasks, and resources required and allocated to each.

### 1.302 Reports

1. The Contractor will submit brief written monthly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the CCI; and notification of any significant deviation from previously agreed-upon work plans.
2. The following reports may be required and will be determined on a project basis:

#### **Assessment and Recommendation**

- *White papers*: bringing together our global understanding on commercial and financial issues in the PPP marketplace for the benefit of State decision makers to assist in making informed decisions on policy
- *Screening reports*: KPMG has a tried and tested methodology for screening early stage projects for potential PPP delivery.

#### **Implementation**

- *Financial model databook*: providing a summary of the project scope, inputs and financial assumptions
- *Public Sector Comparator*: each project will likely require a benchmark public scenario, typically a state bonding solution to the project.
- *Research reports*: The numerous dedicated researchers as well as the core team we offer here. Using this resource we are able to quickly respond to client needs as they arise in project implementation. Typically, we are able to draw on our global team to provide detailed summaries of global practices on any number of PPP and project finance related issues.

## 1.4 Project Management

### 1.401 Issue / Risk Management

The contractor will proactively identify project-related issues and risk as they arise. The Contractor will document the issues/risks, evaluate and prioritize them using agreed upon criteria, and advise State officials promptly of those that require attention.

In the monthly status meetings, the Contractor will address the status and steps for resolving issues/risks of concern to the State. The Contractor will track issues/risks using the procedures documented in section 1.402.

The Contractor will provide services using their internal Project Management (PM) methodology. The Contractor's project management methodology and tools are deployed through the use of project plans, project status reports, and functional matrices. These tools help to improve the quality of information communication, help reduce risk and accelerate project completion.

### 1.402 Change Management

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



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

1.5 Contract Pricing

**1.501 Contract Pricing**

See Attachment A for pricing.

The pricing in this Contract is a "fixed-firm" price regardless of the number of hours and activities required to complete the estimated quantity of "Work and Deliverables" and scope of services required this Contract.

Payment/invoicing for this Contract will occur monthly (see section 2.092).

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

**1.502 Price Term**

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

1.6 Additional Terms and Conditions Specific to this SOW – Deleted/Not Applicable



## Article 2 – General Terms and Conditions

### 2.010 Contract Structure and Administration

#### **2.011 Definitions**

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

- (a) “Days” means calendar days unless otherwise specified.
- (b) “24x7x365” means 24 hours a day, seven days a week, and 365 days a year (including the 366th day in a leap year).
- (c) “Additional Service” means any Services/Deliverables within the scope of the Contract, but not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration. “Additional Service” does not include New Work.
- (d) Reserved
- (e) “Audit Period” has the meaning given in **Section 2.111**.
- (f) “Business Day,” whether capitalized or not, shall mean any day other than a Saturday, Sunday or State-recognized legal holiday (as identified in the Collective Bargaining Agreement for State employees) from 8:00am EST through 5:00pm EST unless otherwise stated.
- (g) “Incident” means any interruption in Services.
- (h) “Business Critical” means any function identified in any Statement of Work as Business Critical.
- (i) “Deliverable” means physical goods and/or commodities as required or identified by a Statement of Work
- (j) “Key Personnel” means any Personnel designated in **Article 1, Section 1.201**, as Key Personnel.
- (k) “New Work” means any Services/Deliverables outside the scope of the Contract and not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration. “New Work” does not include Additional Service.
- (l) “Services” means any function performed for the benefit of the State.
- (m) “State Location” means any physical location where the State performs work. State Location may include state-owned, leased, or rented space.
- (n) “Subcontractor” means a company Contractor delegate’s performance of a portion of the Services to, but does not include independent contractors engaged by Contractor solely in a staff augmentation role.
- (o) “Work in Process” means a Deliverable that has been partially prepared, but has not been presented to the State for Approval.

#### **2.012 Attachments and Exhibits**

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

#### **2.013 Statements of Work**

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



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

#### 2.014 Issuing Office

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

Jim Wilson  
 Buyer Specialist  
 Office of Purchasing Operations  
 Department of Management and Budget  
 Mason Bldg, 2nd Floor  
 PO Box 30026  
 Lansing, MI 48909  
 Email: wilsonj4@michigan.gov  
 Phone: (517) 241-1916

#### 2.015 Contract Compliance Inspector

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

Joe Pavona, Director  
 Michigan Department of Treasury  
 430 West Allegan  
 Lansing, MI 48922  
 Phone: 517-373-3223  
 E-mail: PavonaJ1@michigan.gov.

#### 2.020 Contract Objectives/Scope/Background

2.021 Background – Deleted/Not Applicable

2.022 Purpose – Deleted/Not Applicable

2.023 Objectives and Scope – Deleted/Not Applicable

2.024 Interpretation – Deleted/Not Applicable



## 2.025 Form, Function and Utility

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

### 2.030 Legal Effect and Term

## 2.031 Legal Effect

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

## 2.032 Contract Term

This Contract is for a period of three years. The Contract term is from January 5, 2009 through January 4, 2012. All outstanding Purchase Orders shall also expire upon the termination (cancellation for any of the reasons listed in 2.210) of the Contract, unless otherwise extended pursuant to the Contract. Absent an early termination for any reason, Purchase Orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

## 2.033 Renewal(s)

This Contract may be renewed in writing by mutual agreement of the parties not less than 30 days before its expiration. The Contract may be renewed for up to three additional years. Successful completion of negotiations surrounding the terms of the extension will be a pre-requisite for the exercise of any option year.

### 2.040 Contractor Personnel

## 2.041 Contractor Personnel

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

(b) Key Personnel

(i) In discharging its obligations under this Contract, Contractor shall provide the named Key Personnel on the terms indicated.

(ii) Key Personnel shall be dedicated as defined in **Article 1** to the Project for its duration in the applicable Statement of Work with respect to other individuals designated as Key Personnel for that Statement of Work.

(iii) The State will have the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor will notify the State of the proposed assignment, will introduce the individual to the appropriate State representatives, and will provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval. In the event the State finds a proposed individual unacceptable, the State will provide a written explanation including reasonable detail outlining the reasons for the rejection. Additionally, the State's request shall be based on legitimate, good faith reasons. Proposed alternative for the individual denied, shall be fully qualified for the position.



- (iv) Contractor shall not remove any Key Personnel from their assigned roles or the Contract without the prior written consent of the State. If the Contractor does remove Key Personnel without the prior written consent of the State, it shall be considered an unauthorized removal ("Unauthorized Removal"). It shall not be considered an Unauthorized Removal if Key Personnel must be replaced for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation or for cause termination of the Key Personnel's employment. It shall not be considered an Unauthorized Removal if Key Personnel must be replaced because of promotions or other job movements allowed by Contractor personnel policies or Collective Bargaining Agreement(s) as long as the State receives prior written notice before shadowing occurs and Contractor provides 30 days of shadowing unless parties agree to a different time period. The Contractor with the State shall review any Key Personnel replacements, and appropriate transition planning will be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its rights under **Section 2.210**.
- (v) 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 2.210**, the State may assess liquidated damages against Contractor as specified below.
- (c) Re-assignment of non-Key Personnel. Prior to re-deploying to other projects, at the completion of their assigned tasks on the Project, teams of its non-Key Personnel who are performing Services on-site at State facilities or who are otherwise dedicated primarily to the Project, Contractor will give the State at least ten (10) Business Days notice of the proposed re-deployment to give the State an opportunity to object to the re-deployment if the State reasonably believes such team's Contract responsibilities are not likely to be completed and approved by the State prior to the proposed date of re-deployment.
- (d) Re-assignment of Personnel at the State's Request. The State reserves the right to require the removal from the Project of Contractor personnel found, in the judgment of the State, to be unacceptable. The State's request shall be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request shall be based on legitimate, good faith reasons. Replacement personnel for the removed person shall be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed personnel, the State agrees to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with removed personnel results in delay not reasonable/anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Service will not be counted in **Section 2.076** for a time as agreed to by the parties.
- (e) Staffing Levels.
- (i) All staff requirements not specified in the applicable Statement of Work or State-approved project plan as State personnel will be supplied by Contractor. This includes secretarial, clerical and Contract administration support staff necessary for Contractor to perform its obligations hereunder.
- (ii) Contractor shall provide sufficient personnel resources for the completion of Contract tasks indicated in Contractor's project plan approved by the State. If the level of personnel resources is insufficient to complete any Contractor Contract tasks in accordance with the Contract time schedule as demonstrated by Contractor's failure to meet mutually agreed to time schedules, Contractor shall promptly add additional qualified personnel resources to the performance of the affected tasks, at no additional charge to the State, in an amount sufficient to complete performance of Contractor's tasks in accordance with the Contract time schedule.
- (f) Personnel Turnover. The Parties agree that it is in their best interests to keep the turnover rate of employees of Contractor and its Subcontractors who are performing the Services to a reasonable minimum. Accordingly, if the State determines that the turnover rate of such employees is excessive and so notifies Contractor, Contractor will meet with the State to discuss the reasons for the turnover rate and otherwise use commercially reasonable efforts to minimize such turnover rate. If requested to do so by the State, Contractor will submit to the State its proposals for reducing the turnover rate to an acceptable level. In any event, notwithstanding the turnover of personnel, Contractor remains obligated to perform the Services without degradation and in accordance with the State-approved Contract schedule.
- (g) Location. All staff assigned by Contractor to work on the Contract will perform their duties either primarily at Contractor's offices and facilities or at State facilities. Without limiting the generality of the foregoing, Key Personnel will, at a minimum, spend at least the amount of time on-site at State facilities as indicated in the applicable Statement of Work. Subject to availability, selected Contractor personnel may be assigned office space to be shared with State personnel.





#### 2.042 Contractor Identification

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

#### 2.043 Cooperation with Third Parties

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

#### 2.044 Subcontracting by Contractor

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

(b) Contractor shall not delegate any duties under this Contract to a Subcontractor unless the Department of Management and Budget, Office of Purchasing Operations has given written consent to such delegation. The State shall have the right of prior written approval of all Subcontractors and to require Contractor to replace any Subcontractors found, in the reasonable judgment of the State, to be unacceptable. The State's request shall be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request shall be based on legitimate, good faith reasons. Replacement Subcontractor(s) for the removed Subcontractor shall be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed Subcontractor, the State will agree to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with a removed Subcontractor results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in **Section 2.076** for a time agreed upon by the parties.

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

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

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

#### 2.045 Contractor Responsibility for Personnel

Contractor shall be responsible for all acts and omissions of its employees, as well as the acts and omissions of any other personnel furnished by Contractor to perform the Services.

2.050 State Standards**2.051 Existing Technology Standards**

The Contractor will adhere to all existing standards as described within the comprehensive listing of the State's existing technology standards at <http://michigan.gov/dit/0,1607,7-139-34305---,00.html>.

**2.052 PM Methodology Standards – Deleted/Not Applicable****2.053 Adherence to Portal Technology Tools – Deleted/Not Applicable****2.054 Acceptable Use Policy**

To the extent that Contractor has access to the State computer system, Contractor must comply with the State's Acceptable Use Policy, see <http://www.michigan.gov/ditservice/0,1607,7-179-25781-73760--,00.html>. All Contractor employees must be required, in writing, to agree to the State's Acceptable Use Policy before accessing the State system. The State reserves the right to terminate Contractor's access to the State system if a violation occurs.

2.060 Deliverables**2.061 Ordering**

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

**2.062 Deleted/Not Applicable****2.063 Deleted/Not Applicable****2.064 Equipment to be New and Prohibited Products – Deleted/Not Applicable**2.070 Performance**2.071 Performance, In General**

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

**2.072 Time of Performance**

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

(b) Without limiting the generality of **Section 2.072(a)**, Contractor shall notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Deliverables/Services on the scheduled due dates in the latest State-approved delivery schedule and, in such event, shall inform the State of the projected actual delivery date.

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



**2.073 Liquidated Damages – Deleted/Not Applicable****2.074 Bankruptcy**

If Contractor shall file for protection under the bankruptcy laws, or if an involuntary petition shall be filed against Contractor and not removed within 30 days, or if the Contractor becomes insolvent, be adjudicated bankrupt, or if it should make a general assignment for the benefit of creditors, or if a receiver shall be appointed due to its insolvency, and Contractor and/or its affiliates are unable to provide reasonable assurances that Contractor and/or its affiliates can deliver the services provided herein, the State may, without prejudice to any other right or remedy, terminate this Contract, in whole or in part, and, at its option, may take possession of the “Work in Process” and finish such Works in Process by whatever appropriate method the State may deem expedient. Contractor will fix appropriate notices or labels on the Work in Process to indicate ownership by the State. To the extent reasonably possible, materials and Work in Process shall be stored separately from other stock and marked conspicuously with labels indicating ownership by the State.

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

**2.075 Time is of the Essence**

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

**2.076 Service Level Agreement – Deleted/Not Applicable**2.080 Delivery and Acceptance of Deliverables**2.081 Delivery Responsibilities – Deleted/Not Applicable****2.082 Delivery of Deliverables**

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

**2.083 Testing – Deleted/Not Applicable****2.084 Approval of Deliverables, In General**

- (a) All Deliverables (Physical Deliverables and Written Deliverables) and Services require formal written approval by the State, in accordance with the following procedures. Formal approval by the State requires that the Deliverable be confirmed in writing by the State to meet its specifications, which will include the successful completion of Testing as applicable in **Section 2.083**, to be led by the State with the support and assistance of Contractor. The parties acknowledge that the approval process set forth herein will be facilitated by ongoing consultation between the parties, visibility of interim and intermediate Deliverables and collaboration on key decisions.
- (b) The State’s obligation to comply with any State Review Period is conditioned on the timely delivery of Deliverables/Services being reviewed.
- (c) Prior to commencement of its review or testing of a Deliverable/Service, the State may inspect the Deliverable/Service to confirm that all components of the Deliverable/Service have been delivered without material deficiencies. If the State determines that the Deliverable/Service has material deficiencies, the State may refuse delivery of the Deliverable/Service without performing any further inspection or testing of the Deliverable/Service. Otherwise, the review period will be deemed to have started on the day the State receives the Deliverable or the Service begins, and the State and Contractor agree that the Deliverable/Service is ready for use and, where applicable, certification by Contractor in accordance with **Section 2.083(a)**.
- (d) The State will approve in writing a Deliverable/Service upon confirming that it conforms to and, performs in accordance with, its specifications without material deficiency. The State may, but shall not be required to, conditionally approve in writing a Deliverable/Service that contains material deficiencies if the State elects to permit Contractor to rectify them post-approval. In any case, Contractor will be responsible for working diligently to correct within a reasonable time at Contractor’s expense all deficiencies in the Deliverable/Service that remain outstanding at the time of State approval.



(e) If, after three opportunities (the original and two repeat efforts), Contractor is unable to correct all deficiencies preventing Final Acceptance of a Deliverable/Service, the State may: (i) demand that Contractor cure the failure and give Contractor additional time to cure the failure at the sole expense of Contractor; or (ii) keep the Contract in force and do, either itself or through other parties, whatever Contractor has failed to do, in which event Contractor shall bear any excess expenditure incurred by the State in so doing beyond the Contract price for such Deliverable/Service and will pay the State an additional sum equal to 10% of such excess expenditure to cover the State's general expenses provided the State can furnish proof of such general expenses; or (iii) terminate the particular Statement of Work for default, either in whole or in part by notice to Contractor provided Contractor is unable to cure such breach. Notwithstanding the foregoing, the State shall not use, as a basis for exercising its termination rights under this Section, deficiencies discovered in a repeat State Review Period that could reasonably have been discovered during a prior State Review Period.

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

## **2.085 Process For Approval of Written Deliverables – Deleted/Not Applicable**

### **2.086 Process for Approval of Services**

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

## **2.087 Process for Approval of Physical Deliverables – Deleted/Not Applicable**

### **2.088 Final Acceptance**

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

### 2.090 Financial

### **2.091 Pricing**

#### **(a) Fixed Prices for Services/Deliverables**

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

#### **(b) Adjustments for Reductions in Scope of Services/Deliverables**

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

#### **(c) Services/Deliverables Covered**

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

#### **(d) Reserved.**



## 2.092 Invoicing and Payment Procedures and Terms

### (a) Invoicing and Payment – In General

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

(ii) Each Contractor invoice will show details as to charges by Service/Deliverable component and location at a level of detail reasonably necessary to satisfy the State's accounting and charge-back requirements. Prompt payment by the State is contingent on the Contractor's invoices showing the amount owed by the State minus any holdback amount to be retained by the State in accordance with **Section 2.094**.

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

### (b) Taxes

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

### (c) Out-of-Pocket Expenses

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

### (d) Pro-ration

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

### (e) Antitrust Assignment

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

### (f) Final Payment

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

## 2.093 State Funding Obligation

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

## 2.094 Deleted/Not Applicable

## 2.095 Electronic Payment Availability

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



## 2.100 Contract Management

### **2.101 Contract Management Responsibility**

(a) Contractor shall have overall responsibility for managing and successfully performing and completing the Services/Deliverables, subject to the overall direction and supervision of the State and with the participation and support of the State as specified in this Contract. Contractor's duties will include monitoring and reporting the State's performance of its participation and support responsibilities (as well as Contractor's own responsibilities) and providing timely notice to the State in Contractor's reasonable opinion if the State's failure to perform its responsibilities is likely to delay the timely achievement of any Contract tasks.

(b) The Services/Deliverables will be provided by the Contractor either directly or through its affiliates, subsidiaries, subcontractors or resellers. Regardless of the entity providing the Service/Deliverable, the Contractor will act as a single point of contact coordinating these entities to meet the State's need for Services/Deliverables. Nothing in this Contract, however, shall be construed to authorize or require any party to violate any applicable law or regulation in its performance of this Contract.

### **2.102 Problem and Contract Management Procedures**

The Contract and the applicable Statements of Work will govern problem Management and Contract Management procedures.

### **2.103 Reports and Meetings – Deleted/Not Applicable**

### **2.104 System Changes**

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

### **2.105 Deleted/Not Applicable**

### **2.106 Change Requests**

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

If the State requests or directs the Contractor to perform any Services/Deliverables that are outside the scope of the Contractor's responsibilities under the Contract ("New Work"), the Contractor must notify the State promptly, and before commencing performance of the requested activities, that it believes the requested activities are New Work. If the Contractor fails to notify the State before commencing performance of the requested activities, any such activities performed before notice is given by the Contractor shall be conclusively considered to be in-scope Services/Deliverables, not New Work.

If the State requests or directs the Contractor to perform any services or provide deliverables that are consistent with and similar to the Services/Deliverables being provided by the Contractor under the Contract, but which the Contractor reasonably and in good faith believes are not included within the Statements of Work, then before performing such services or providing such deliverables, the Contractor shall notify the State in writing that it considers the services or deliverables to be an Additional Service/Deliverable for which the Contractor should receive additional compensation. If the Contractor does not so notify the State, the Contractor shall have no right to claim thereafter that it is entitled to additional compensation for performing that service or providing that deliverable. If the Contractor does so notify the State, then such a service or deliverable shall be governed by the Change Request procedure in this Section.



In the event prices or service levels are not acceptable to the State, the Additional Services or New Work shall be subject to competitive bidding based upon the specifications.

(a) Change Requests

(i) State Requests

If the State should require Contractor to perform New Work, Additional Services or make changes to the Services that would affect the Contract completion schedule or the amount of compensation due Contractor (a "Change"), the State shall submit a written request for Contractor to furnish a proposal for carrying out the requested Change (a "Change Request").

(ii) Contractor Recommendations

Contractor shall be entitled to propose a Change to the State, on its own initiative, should it be of the opinion that this would benefit the Contract.

(iii) Upon receipt of a Change Request or on its own initiative, Contractor shall examine the implications of the requested Change on the technical specifications, Contract schedule and price of the Deliverables and Services and shall submit to the State without undue delay a written proposal for carrying out the Change. Contractor's proposal will include any associated changes in the technical specifications, Contract schedule and price and method of pricing of the Services. If the Change is to be performed on a time and materials basis, the Amendment Labor Rates shall apply to the provision of such Services. If Contractor provides a written proposal and should Contractor be of the opinion that a requested Change is not to be recommended, it shall communicate its opinion to the State but shall nevertheless carry out the Change as specified in the written proposal if the State directs it to do so.

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

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

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

## 2.107 Management Tools – Deleted/Not Applicable

### 2.110 Records and Inspections

#### 2.111 Records and Inspections

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





- (b) **Examination of Records.** Contractor agrees that the State, including its duly authorized representatives, until the expiration of seven years following the creation of the material (collectively, the "Audit Period"), shall, upon 20 days prior written notice, have access to and the right to examine and copy any of Contractor's books, records, documents and papers pertinent to establishing Contractor's compliance with the Contract and with applicable laws and rules, including the State's procurement rules, regulations and procedures, and actual performance of the Contract for the purpose of conducting an audit, examination, excerpt and/or transcription but the State shall not have access to any information deemed confidential to Contractor to the extent such access would require such confidential information to become publicly available. This provision also applies to the books, records, accounts, documents and papers, in print or electronic form, of any parent, affiliated or subsidiary organization of Contractor, or any Subcontractor of Contractor performing services in connection with the Contract.
- (c) **Retention of Records.** Contractor shall maintain at least until the end of the Audit Period all pertinent financial and accounting records (including time sheets and payroll records, and information pertaining to the Contract and to the Services, equipment, and commodities provided under the Contract) pertaining to the Contract in accordance with generally accepted accounting principles and other procedures specified in this Section. Financial and accounting records shall be made available, upon request, to the State at any time during the Audit Period. If an audit, litigation, or other action involving Contractor's records is initiated before the end of the Audit Period, the records must be retained until all issues arising out of the audit, litigation, or other action are resolved or until the end of the Audit Period, whichever is later.
- (d) **Audit Resolution.** If necessary, the Contractor and the State shall meet to review each audit report promptly after issuance. The Contractor will respond to each audit report in writing within 30 days from receipt of such report, unless a shorter response time is specified in such report. The Contractor and the State shall develop, agree upon and monitor an action plan to promptly address and resolve any deficiencies, concerns, and/or recommendations in such audit report.

## 2.112 Errors

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

### 2.120 State Responsibilities

## 2.121 State Performance Obligations

- (a) **Equipment and Other Resources.** To facilitate Contractor's performance of the Services/Deliverables, the State shall provide to Contractor such equipment and resources as identified in the Statements of Work or other Contract Exhibits as items to be provided by the State.
- (b) **Facilities.** The State shall designate space as long as it is available and as provided in the Statement of Work, to house Contractor's personnel whom the parties agree will perform the Services/Deliverables at State facilities (collectively, the "State Facilities"). Contractor shall have reasonable access to, and unless agreed otherwise by the parties in writing shall observe and comply with all rules and regulations relating to, each of the State Facilities (including hours of operation) used by Contractor in the course of providing the Services. Contractor agrees that it will not, without the prior written consent of the State, use any State Facilities or access any State information systems provided for Contractor's use, or to which Contractor otherwise gains access in the course of performing the Services, for any purpose other than providing the Services to the State.
- (c) **Return.** Contractor shall be responsible for returning to the State any State-furnished equipment, facilities and other resources when no longer required for the Contract in the same condition as when provided by the State, reasonable wear and tear excepted.



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

#### 2.130 Security

##### **2.131 Background Checks**

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

All Contractor personnel will also be expected to comply with the State's security and acceptable use policies for State IT equipment and resources. See <http://www.michigan.gov/ditservice/0,1607,7-179-25781-73760--,00.html>. Furthermore, Contractor personnel will be expected to agree to the State's security and acceptable use policies before the Contractor personnel will be accepted as a resource to perform work for the State. It is expected the Contractor will present these documents to the prospective employee before the Contractor presents the individual to the State as a proposed resource. Contractor staff will be expected to comply with all Physical Security procedures in place within the facilities where they are working.

#### 2.140 Reserved

#### 2.150 Confidentiality

##### **2.151 Freedom of Information**

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

##### **2.152 Confidentiality**

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



### **2.153 Protection of Confidential Information**

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

### **2.154 Exclusions**

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

### **2.155 No Implied Rights**

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

### **2.156 Remedies**

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

### **2.157 Security Breach Notification**

In the event of a breach of this Section, Contractor shall take (i) prompt corrective action to cure any such deficiencies and (ii) any action pertaining to such unauthorized disclosure required by applicable federal and state laws and regulations. Contractor and the State will cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor shall report to the State in writing any use or disclosure of Confidential Information, whether suspected or actual, other than as provided for by the Contract within 10 days of becoming aware of such use or disclosure or such shorter time period as is reasonable under the circumstances.

### **2.158 Survival**

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



**2.159 Destruction of Confidential Information**

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

2.160 Proprietary Rights**2.161 Deleted/Not Applicable****2.162 Deleted/Not Applicable****2.163 Rights in Data**

(a) The State will be and remain the owner of all data made available by the State to Contractor or its agents, Subcontractors or representatives pursuant to the Contract. Contractor will not use the State's data for any purpose other than providing the Services, nor will any part of the State's data be disclosed, sold, assigned, leased or otherwise disposed of to the general public or to specific third parties or commercially exploited by or on behalf of Contractor, nor will any employee of Contractor other than those on a strictly need to know basis have access to the State's data. Contractor will not possess or assert any lien or other right against the State's data. Without limiting the generality of this Section, Contractor shall only use personally identifiable information as strictly necessary to provide the Services and shall disclose such information only to its employees who have a strict need to know such information. Contractor shall comply at all times with all laws and regulations applicable to such personally identifiable information.

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

**2.164 Ownership of Materials**

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

**2.165 Standard Software – Deleted/Not Applicable****2.166 Pre-existing Materials for Custom Software Deliverables – Deleted/Not Applicable****2.167 General Skills – Deleted/Not Applicable**2.170 Warranties And Representations**2.171 Warranties and Representations**

The Contractor represents and warrants:

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

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

(c) It is the lawful owner or licensee of any Deliverable licensed or sold to the State by Contractor or developed by Contractor under this Contract, and Contractor has all of the rights necessary to convey to the State the ownership rights or licensed use, as applicable, of any and all Deliverables. None of the Deliverables provided by Contractor to the State under this Contract, nor their use by the State, will infringe the patent, copyright, trade secret, or other proprietary rights of any third party.



- (d) If, under this Contract, Contractor procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to Contractor's other responsibilities with respect to such items in this Contract, Contractor shall assign or otherwise transfer to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.
- (e) The contract signatory has the power and authority, including any necessary corporate authorizations, necessary to enter into this Contract, on behalf of Contractor.
- (f) It is qualified and registered to transact business in all locations where required.
- (g) Neither the Contractor nor any Affiliates, nor any employee of either, has, shall have, or shall acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any manner or degree with Contractor's performance of its duties and responsibilities to the State under this Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. Contractor shall notify the State within two days of any such interest that may be incompatible with the interests of the State.
- (h) Neither Contractor nor any Affiliates, nor any employee of either has accepted or shall accept anything of value based on an understanding that the actions of the Contractor or Affiliates or employee on behalf of the State would be influenced. Contractor shall not attempt to influence any State employee by the direct or indirect offer of anything of value.
- (i) Neither Contractor nor any Affiliates, nor any employee of either has paid or agreed to pay any person, other than bona fide employees and consultants working solely for Contractor or such Affiliate, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or making of this Contract.
- (j) The prices proposed by Contractor were arrived at independently, without consultation, communication, or agreement with any other bidder for the purpose of restricting competition; the prices quoted were not knowingly disclosed by Contractor to any other bidder; and no attempt was made by Contractor to induce any other person to submit or not submit a proposal for the purpose of restricting competition.
- (k) All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the RFP or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial condition, and results of operations of Contractor as of the respective dates, or for the respective periods, covered by such financial statements, reports, other information. Since the respective dates or periods covered by such financial statements, reports, or other information, there has been no material adverse change in the business, properties, financial condition, or results of operations of Contractor.
- (l) All written information furnished to the State by or behalf of Contractor in connection with this Contract, including its bid, is true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make such information not misleading.
- (m) It is not in material default or breach of any other contract or agreement that it may have with the State or any of its departments, commissions, boards, or agencies. Contractor further represents and warrants that it has not been a party to any contract with the State or any of its departments that was terminated by the State or such department within the previous five years for the reason that Contractor failed to perform or otherwise breached an obligation of such contract.

**2.172 Deleted/Not Applicable**

**2.173 Deleted/Not Applicable**

**2.174 Deleted/Not Applicable**

**2.175 Deleted/Not Applicable**

#### **2.176 Consequences For Breach**

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



2.180 Insurance

**2.181 Liability Insurance**

(a) Liability Insurance

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

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

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

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

The insurers selected by Contractor shall have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if such ratings are no longer available, with a comparable rating from a recognized insurance rating agency. All policies of insurance required in this Contract shall be issued by companies that have been approved to do business in the State. See [http://www.mi.gov/cis/0,1607,7-154-10555\\_22535---,00.html](http://www.mi.gov/cis/0,1607,7-154-10555_22535---,00.html).

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

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

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

1. Commercial General Liability with the following minimum coverage:

\$2,000,000 General Aggregate Limit other than Products/Completed Operations  
 \$2,000,000 Products/Completed Operations Aggregate Limit  
 \$1,000,000 Personal & Advertising Injury Limit  
 \$1,000,000 Each Occurrence Limit  
 \$500,000 Fire Damage Limit (any one fire)

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

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



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

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

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

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

4. Employers liability insurance with the following minimum limits:

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

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

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

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

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

(b) Subcontractors

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

(c) Certificates of Insurance and Other Requirements

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



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

## 2.190 Indemnification

### **2.191 Indemnification**

#### (a) General Indemnification

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

#### (b) Code Indemnification

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

#### (c) Employee Indemnification

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

#### (d) Patent/Copyright Infringement Indemnification

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

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

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





### 2.192 Continuation of Indemnification Obligations

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

### 2.193 Indemnification Procedures

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

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

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

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

## 2.200 Limits of Liability and Excusable Failure

### 2.201 Limits of Liability

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

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



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

### **2.202 Excusable Failure**

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

In such event, the non-performing party will be excused from any further performance or observance of the obligation(s) so affected for as long as such circumstances prevail and such party continues to use its commercially reasonable efforts to recommence performance or observance whenever and to whatever extent possible without delay and provided further that such party promptly notifies the other party in writing of the inception of the excusable failure occurrence, and also of its abatement or cessation.

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

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

### **2.203 Disaster Recovery**

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

#### 2.210 Termination/Cancellation by the State

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



### 2.211 Termination for Cause

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

(b) In the event that this Contract is terminated for cause, in addition to any legal remedies otherwise available to the State by law or equity, Contractor shall be responsible for all costs incurred by the State in terminating this Contract, including but not limited to, State administrative costs, reasonable attorneys' fees and court costs, and any reasonable additional costs the State may incur to procure the Services/Deliverables required by this Contract from other sources. Re-procurement costs shall not be considered by the parties to be consequential, indirect or incidental damages, and shall not be excluded by any other terms otherwise included in this Contract, provided such costs are not in excess of 50% more than the prices for such Service/Deliverables provided under this Contract.

(c) In the event the State chooses to partially terminate this Contract for cause, charges payable under this Contract will be equitably adjusted to reflect those Services/Deliverables that are terminated and the State shall pay for all Services/Deliverables for which Final Acceptance has been granted provided up to the termination date. Services and related provisions of this Contract that are terminated for cause shall cease on the effective date of the termination.

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

### 2.212 Termination for Convenience

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

### 2.213 Non-Appropriation

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

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

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



**2.214 Criminal Conviction**

The State may terminate this Contract immediately and without further liability or penalty in the event Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense incident to the application for, or performance of, a State, public or private Contract or subcontract; convicted of a criminal offense, including any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State of Michigan employees; convicted under State or federal antitrust statutes; or convicted of any other criminal offense which in the sole discretion of the State reflects upon Contractor's business integrity.

**2.215 Approvals Rescinded**

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

**2.216 Rights and Obligations Upon Termination**

- (a) If this Contract is terminated by the State for any reason, Contractor shall (a) stop all work as specified in the notice of termination, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Deliverables or other property derived or resulting from this Contract that may be in Contractor's possession, (c) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (d) in the event that the Contractor maintains title in Deliverables that is intended to be transferred to the State at the termination of the Contract, Contractor will transfer title in, and deliver to, the State, unless otherwise directed, all Deliverables intended to be transferred to the State at the termination of the Contract and which are resulting from the Contract (which shall be provided to the State on an "As-Is" basis except to the extent the amounts paid by the State in respect of such items included compensation to Contractor for the provision of warranty services in respect of such materials), and (e) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or termination settlement costs, to the maximum practical extent, including terminating or limiting as otherwise applicable those subcontracts and outstanding orders for material and supplies resulting from the terminated Contract.
- (b) In the event the State terminates this Contract prior to its expiration for its own convenience, the State shall pay Contractor for all charges due for Services provided prior to the date of termination and, if applicable, as a separate item of payment pursuant to this Contract, for Work In Process, on a percentage of completion basis at the level of completion determined by the State. All completed or partially completed Deliverables prepared by Contractor pursuant to this Contract shall, at the option of the State, become the State's property, and Contractor shall be entitled to receive equitable fair compensation for such Deliverables. Regardless of the basis for the termination, the State shall not be obligated to pay, or otherwise compensate, Contractor for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.
- (c) Upon a good faith termination, the State shall have the right to assume, at its option, any and all subcontracts and agreements for services and deliverables provided under this Contract, and may further pursue completion of the Services/Deliverables under this Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

**2.217 Reservation of Rights**

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

**2.218 Contractor Transition Responsibilities**

In the event this contract is terminated, for convenience or cause, dissolved, voided, rescinded, nullified, expires or is otherwise rendered unenforceable, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. In the event of termination or the expiration of this Contract, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed 90 days. These efforts shall include, but are not limited to, the following:



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

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

(c) Software. - The Contractor shall reasonably assist the State in the acquisition of any Contractor software required to perform the Services/use the Deliverables under this Contract. This shall include any documentation being used by the Contractor to perform the Services under this Contract. If the State transfers any software licenses to the Contractor, those licenses shall, upon expiration of 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.

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

### **2.219 State Transition Responsibilities**

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

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

#### 2.220 Termination by Contractor

### **2.221 Termination by Contractor**

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

#### 2.230 Stop Work – Deleted/Not Applicable

#### 2.240 Deleted/Not Applicable

#### 2.250 Dispute Resolution

### **2.251 In General**

Any claim, counterclaim, or dispute between the State and Contractor arising out of or relating to the Contract or any Statement of Work shall be resolved as follows. For all Contractor claims seeking an increase in the amounts payable to Contractor under the Contract, or the time for Contractor's performance, Contractor shall submit a letter executed by Contractor's Contract Administrator or his designee certifying that (a) the claim is made in good faith,



(b) the amount claimed accurately reflects the adjustments in the amounts payable to Contractor or the time for Contractor's performance for which Contractor believes the State is liable and covers all costs of every type to which Contractor is entitled from the occurrence of the claimed event, and (c) the supporting data provided with such an affidavit are current and complete to Contractor's best knowledge and belief.

### 2.252 Informal Dispute Resolution

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

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

(ii) During the course of negotiations, all reasonable requests made by one party to another for non-privileged information reasonably related to the Contract will be honored in order that each of the parties may be fully advised of the other's position.

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

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

(b) This **Section 2.250** will not be construed to prevent either party from instituting, and a party is authorized to institute, formal proceedings earlier to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or pursuant to **Section 2.253**.

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

### 2.253 Injunctive Relief

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.252** is where a party makes a good faith determination that a breach of the terms of the Contract by the other party is such that the damages to such party resulting from the breach will be so immediate, so large or severe and so incapable of adequate redress after the fact that a temporary restraining order or other immediate injunctive relief is the only adequate remedy.

### 2.254 Continued Performance

Each party agrees to continue performing its obligations under the Contract while a dispute is being resolved except to the extent the issue in dispute precludes performance (dispute over payment shall not be deemed to preclude performance) and without limiting either party's right to terminate the Contract as provided in **Section 2.210** and **2.220**, as the case may be.

### 2.260 Federal and State Contract Requirements

### 2.261 Nondiscrimination

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

**2.262 Unfair Labor Practices**

Pursuant to 1980 PA 278, MCL 423.231, *et seq.*, the State shall not award a Contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled pursuant to section 2 of the Act. The United States National Labor Relations Board compiles this information. A Contractor of the State, in relation to the Contract, shall not enter into a contract with a Subcontractor, manufacturer, or supplier whose name appears in this register. Pursuant to section 4 of 1980 PA 278, MCL 423.324, the State may void any Contract if, subsequent to award of the Contract, the name of Contractor as an employer or the name of the Subcontractor, manufacturer or supplier of Contractor appears in the register.

**2.263 Workplace Safety and Discriminatory Harassment**

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

2.270 Litigation**2.271 Disclosure of Litigation**

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

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

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

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

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

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

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

(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 shall notify Purchasing Operations.

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

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

**2.272 Governing Law**

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

**2.273 Compliance with Laws**

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

**2.274 Jurisdiction**

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

2.280 Environmental Provision – Deleted/Not Applicable

2.290 General

**2.291 Amendments**

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

**2.292 Assignment**

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

(b) Contractor may not, without the prior written approval of the State, assign its right to receive payments due under the Contract. In the event of any such permitted assignment, Contractor shall not be relieved of its responsibility to perform any duty imposed upon it herein, and the requirement under the Contract that all payments shall be made to one entity shall continue.

**2.293 Entire Contract; Order of Precedence**

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

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



**2.294 Headings**

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

**2.295 Relationship of the Parties (Independent Contractor Relationship)**

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

**2.296 Notices**

(a) Any notice given to a party under the Contract shall be deemed effective, if addressed to such party as addressed below, upon: (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile if a copy of the notice is sent by another means specified in this Section; (iii) the third (3rd) Business Day after being sent by U.S. mail, postage pre-paid, return receipt requested; or (iv) the next Business Day after being sent by a nationally recognized overnight express courier with a reliable tracking system.

State:

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

Contractor(s):

Liam Kelly, Managing Director  
303 East Wacker Drive  
Chicago, IL 60601.

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

(b) Binding Commitments

Representatives of Contractor identified in **Article 1B.104** shall have the authority to make binding commitments on Contractor's behalf within the bounds set forth in such table. Contractor may change such representatives from time to time upon written notice.

**2.297 Media Releases and Contract Distribution**

(a) Media Releases

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

(b) Contract Distribution

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

**2.298 Reformation and Severability**

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

**2.299 Consents and Approvals**

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

**2.300 No Waiver of Default**

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

**2.301 Survival**

Any provisions of the Contract that impose continuing obligations on the parties including the parties' respective warranty, indemnity and confidentiality obligations, shall survive the expiration or termination of the Contract for any reason. Specific references to survival in the Contract are solely for identification purposes and not meant to limit or prevent the survival of any other section.

**2.302 Covenant of Good Faith**

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

**2.303 Permits**

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

**2.304 Website Incorporation**

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

**2.305 Taxes**

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

**2.306 Prevailing Wage – Deleted/Not Applicable****2.307 Call Center Disclosure – Deleted/Not Applicable**

**2.308 Future Bidding Preclusion**

Contractor acknowledges that, to the extent this Contract involves the creation, research, investigation or generation of a future RFP, it may be precluded from bidding on the subsequent RFP. The State reserves the right to disqualify any 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 leading edge on the competitive RFP.

2.310 Deleted/Not Applicable

2.320 Extended Purchasing – Deleted/Not Applicable

2.330 Federal Grant Requirements – Deleted/Not Applicable





Attachment A, Pricing

Work and Deliverables	Unit Price		Quantity		Years	Total
1. Annual Retainer Fee (includes reports)	\$300,000	X	N/A	X	3	\$900,000
2. Option Assessments						
2.1 Relatively Straight-Forward	\$20,000	X	4	X	3	\$240,000
2.2 Intermediate Complexity	\$33,000	X	4	X	3	\$396,000
2.3 Multi-faceted in Complexity	\$39,000	X	4	X	3	\$468,000
2.4 Unit Price above Estimated Quantity (Estimated 1 per year over 3 years for each level of complexity)						
2.4.1 Relatively Straight-Forward	\$15,000	X	1	X	3	\$45,000
2.4.2 Intermediate Complexity	\$25,000	X	1	X	3	\$75,000
2.4.3 Multi-faceted in Complexity	\$30,000	X	1	X	3	\$90,000
3. Option Recommendations						
3.1 Relatively Straight-Forward	\$13,000	X	2	X	3	\$78,000
3.2 Intermediate Complexity	\$15,000	X	2	X	3	\$90,000
3.3 Multi-faceted in Complexity	\$28,000	X	2	X	3	\$168,000
3.4 Unit Price above Estimated Quantity (Estimated 1 per year over 3 years for each level of complexity)						
3.4.1 Relatively Straight-Forward	\$10,000	X	1	X	3	\$30,000
3.4.2 Intermediate Complexity	\$12,500	X	1	X	3	\$37,500
3.4.3 Multi-faceted in Complexity	\$25,000	X	1	X	3	\$75,000
4. Implementations						
4.1 Relatively Straight-Forward	\$46,000	X	1	X	3	\$138,000
4.2 Intermediate Complexity	\$61,000	X	2	X	3	\$366,000
4.3 Multi-faceted in Complexity	\$99,000	X	2	X	3	\$594,000
4.4 Unit Price above Estimated Quantity (Estimated 1 per year over 3 years for each level of complexity)						
4.4.1 Relatively Straight-Forward	\$25,000	X	1	X	3	\$75,000
4.4.2 Intermediate Complexity	\$40,000	X	1	X	3	\$120,000
4.4.3 Multi-faceted in Complexity	\$80,000	X	1	X	3	\$240,000
						<b>Total</b>
						\$4,225,500
						<b>Discount</b>
						\$(990,000)
						<b>Grand Total</b>
						\$3,235,500

The Contractor will provide a 2% discount off invoice if paid within 30 days.

The pricing is all inclusive of all expenses.



The Contractor confirms that there will be a CAP on the annual fee at \$1million per year and \$3 million in total over the three year initial Contract term in line with the requirements of “Work and Deliverables” and scope of services required by this Contract.

The pricing is based upon the following assumptions:

- The role and responsibilities of the retained advisor under this contract would be of an advisory and strategic nature and the procuring authority or agency would mandate other advisors (financial, legal, technical, etc), as deemed appropriate, for the purpose of performing the detailed work required for the implementation phase of each of the recommended projects. The Contractor would be delighted to undertake more detailed work on the implementation phase such as direct assistance in the drafting and negotiating the detailed commercial terms on an individual procurement but this detailed assistance has not been priced as part of the Price Proposal and will be priced in accordance with the table 1 below.
- As noted as part of the Contractor’s response to clarification question 1 in relation to section 1.104.1, our base proposal price already includes building/developing feasibility analysis financial models as part of the option assessment phase. However, the Contractor has assumed there will not required be any detailed financial model build work as part of the implementation stage in determining our Price Proposal. Contractor has internal capability and resources to perform such a task should you require and will be priced in accordance with the table 1 below.
- No detailed due diligence of cost & revenue inputs is required.
- Consistent with point one above, the members of the Contractor Team will not be required to be present throughout the detailed one-on-one commercial negotiations for each one of the projects under implementation. Contractor’s senior Core Team members have extensive experience in advising public sector clients during such negotiations and could perform this task; however this has not been priced as part of the Price Proposal and will be priced in accordance with the table 1 below.
- Consistent with the Contractor’s clarification response 6, relating to section 1.501B. These additional optional services are priced either in accordance with the table 1 below or if the State would prefer at a blended rate of **\$400/hour\***, as discussed in our meeting with the State.

Table 1

<b>KPMG Designation</b>	<b>Hourly Fee \$*</b>
Managing Director	595
Director	515
Vice-President	430
Associate/Analyst	345
Support	145

***\*All rates in this Table subject to CPI uplift on each anniversary of the contract signing***



Attachment B

Project Month	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	M13	M14	M15	M16	M17	M18	M19	M20	M21	M22	M23	M24	M25	M26
<b>Phase 1: Project Preparation</b>																										
<b>Task 1.1</b>																										
Task 1.1.1																										
Task 1.1.2																										
Task 1.1.3																										
Task 1.1.4																										
<b>Phase 2: Project Implementation</b>																										
<b>Task 2.1</b>																										
Task 2.1.1																										
Task 2.1.2																										
Task 2.1.3																										
Task 2.1.4																										
<b>Phase 3: Project Completion</b>																										
<b>Task 3.1</b>																										
Task 3.1.1																										
Task 3.1.2																										
Task 3.1.3																										
Task 3.1.4																										
Task 3.1.5																										
Task 3.1.6																										
Task 3.1.7																										
Task 3.1.8																										
Task 3.1.9																										
<b>Phase 4: Project Evaluation</b>																										
<b>Task 4.1</b>																										
Task 4.1.1																										
Task 4.1.2																										
Task 4.1.3																										
Task 4.1.4																										
Task 4.1.5																										
Task 4.1.6																										
Task 4.1.7																										
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Task 4.1.9																										