STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET   **February 12, 2008**
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

NOTICE
TO
CONTRACT NO.   071B8200083
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR	TELEPHONE (313) 222-4151
	Laura Branchick
Comerica Bank	CONTRACTOR NUMBER/MAIL ODE
P. O. Box 75000	
Detroit, MI 48275-3354	BUYER/CA (517) 241-1916
Laura_w_branchick@comerica.com	**Jim Wilson**

Contract Compliance Inspector: Brenda Vincent (517) 636-5382
Originating Depository Financial Institution (ODFI) Services – Department of Treasury

CONTRACT PERIOD:	From: **January 1, 2008**	To: **December 31, 2011**

TERMS	SHIPMENT
N/A	**N/A**
F.O.B.	SHIPPED FROM
N/A	**N/A**

MINIMUM DELIVERY REQUIREMENTS
N/A

Estimated Contract Value: **$1,805,330.00**

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MISCELLANEOUS INFORMATION:

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FOR THE CONTRACTOR: **FOR THE STATE:**

Comerica Bank
Firm Name   Signature
                                                Melissa Castro CPPB, Buyer Manager
Authorized Agent Signature   Name/Title
                                                Services Division, Purchasing Operations
Authorized Agent (Print or Type)   Division

Date   Date

STATE OF MICHIGAN
Department of Management and Budget
Purchasing Operations

Contract No. 071B8200083
Originating Depository Financial Institution (ODFI) Services

Buyer Name: Jim Wilson
Telephone Number: (517) 241-1916
E-Mail Address: wilsonj4@michigan.gov

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<u>**Article 1 – Statement of Work (SOW)**</u>

1.0   Project Identification

1.001   PROJECT REQUEST

The purpose of this RFP is to obtain bids for a financial institution (bank) to serve as Originating Depository Financial Institution (ODFI) for both the State's ACH payments and certain ACH revenue programs. There are four types of ACH payments and three ACH Revenue Programs. ACH payments include Vendor, Income Tax Refunds, Payroll, and Retirement.

1.002   BACKGROUND

The State began making ACH payments for select payments in the early 1990's. Since that time, ACH has been expanded to other programs including the three ACH revenue programs included in this contract. Please see Appendices F and G for the State's FY 2005 volume of transactions paid and collected via ACH.

Financial electronic data interchange (FEDI) will be utilized to originate ACH payments using the 4010 version of the ANSI X 12 standards. FEDI files will typically be released into the ACH network 5 days per week. ACH revenue transactions are processed in standard ACH format and will be transmitted to the Contractor on state business days only.

An explanation of the State's various payment and revenue collection processes follows:

1.   **ACH Revenue Programs**

The Contractor will process ACH debit files for the following three ACH Revenue Programs:

- Department of Natural Resources, Retail Sales System, Licensing Deposits
- Department of Labor & Economic Growth, Michigan Liquor Control Commission, Liquor Sales Revenue
- Department of Treasury, Collection Division, Installment Agreement Payments

ACH Revenue Programs will transmit files in standard ACH format.

All three ACH Revenue Programs utilize hardcopy authorization forms. Each program is responsible for retaining the authorization forms and making them available as required.

State Credit Card and ACH Revenue Programs may migrate to the State's enterprise-wide electronic payment module called CEPAS (**C**entralized **E**lectronic **P**ayment and **A**uthorization **S**ystem). As a result, the Revenue Programs may discontinue processing under this contract and process through the CEPAS platform during the term of this contract.

All three Programs receive "null" files when there are no NOCs or Returned items for a particular day. This positive action by the Contractor confirms that a file was sent but there weren't any NOCs or Returns.

A brief description of the three programs follows:

<u>Department of Natural Resources, Retail Sales System, Licensing Deposits</u>

The Department of Natural Resources (DNR) Retail Sales System (RSS) is a point of sale application for collection of hunting and fishing license revenue from licensing agents. Licensing agents use point of sale terminals to enter license information and generate a license. License sales revenue is deposited to the agent's bank account. Each week, DNR utilizes reports from the point of sale terminals along with agent bank account information in a DNR database to generate an ACH debit file to debit the agent's account for the sales revenue.

Participation is mandatory. Files are generated and transmitted to the Contractor on Wednesdays. Agents complete, sign, and return an ACH authorization form to participate.

See Appendix K for DNR File Specifications

Department of Labor & Economic Growth, Michigan Liquor Control Commission, Liquor Sales Revenue

The Michigan Liquor Control Commission (MLCC) is responsible for sale and delivery of liquor to liquor licensees statewide. The distribution and sales process was privatized and Authorized Distribution Agents (ADAs) provide this service. Currently there are 6 liquor ADAs statewide. ACH debit files are generated daily on state business days. For liquor licensees, payment by ACH debit is voluntary. Currently, approximately 2,100 licensees pay by ACH. Licensees complete, sign, and return an ACH authorization form to MLCC to participate.

The ADA delivery representative delivers liquor to the liquor licensee. The delivery representative returns the delivery invoice to the ADA after delivery. The ADA updates their sales database and creates a billing file that is transmitted electronically to MLCC. The ADA billing file is interfaced to the MLCC database that contains liquor licensee bank account information. An ACH debit file is generated and transmitted to the Contractor. The file contains a separate batch for each ADA.

See Appendix L for MLCC File Specifications.

Department of Treasury, Collection Division, Installment Agreement Payments

This program allows debtors with installment agreements to make periodic recurring payments by ACH debit. Debtors can be both consumers and businesses. Participation is voluntary but strongly encouraged. ACH files are generated daily on state business days. Debtors complete, sign, and return a hardcopy authorization form to authorize periodic recurring debits from their account. Collection Division staff enter the information into a database. Each day the database is searched and an ACH record is created for each debtor whose payment is due the next day. A file is created and forwarded to the Contractor. Collection Division also originates transactions using the TEL Standard Entry Class Code. Consumer debtors can call the Collection Division and authorize a one-time debit to their account to make a payment.

See Appendix M for Treasury Collection File Specifications.

2   **ACH Payments**

   1. Vendor Payments:

   These payments are initiated through the State's mainframe accounting system, called the Michigan Administrative Information Network (MAIN). This accounting system assigns payment numbers. The State assigns payment numbers to ACH transactions. The MAIN system is the home for the State's centralized vendor file. Within this file, information about State vendors is maintained, that includes but is not limited to: Federal ID number, addresses, types of services or products the vendor can supply, bank routing transit and account number information, etc. The State's definition of 'vendor' is much broader than a corporation's definition. The State's vendors include vendors we purchase products and services from. However, a much larger percentage of our vendor population is what we refer to as the 'payee' population. 'Payee' vendor payments include childcare, foster care, and adoption subsidy payments from the State, to name a few. 'Vendor' payments include most all payments made by the State that are not included in the PFOS category below (section 1.002.2.2). As such, vendor payments include payments for almost all State programs.

   Within the MAIN system there are a few ways to generate payments, as follows:

   a. On-line: Employees from all agencies of State government key these payments into the MAIN system. On-line payments utilize the State's centralized vendor file.

   b. Front door interfaces: These payments are interfaced from certain State agencies to the MAIN accounting system. These payments utilize the State's centralized vendor file.

   c. Side door interfaces: These payments are interfaced from certain State agencies to the MAIN accounting system. However, these payments do not utilize the State's centralized vendor file.

Generally the vendor payments are initiated on-line and through the front door interfaces are allowed to participate in the FEDI (ACH) payment process. The side door interfaced payments are generally converted to front door interfaces utilizing the State's centralized vendor file before they can be paid via ACH. In order for the side door interfaces to be ready to pay by FEDI, programming changes will need to be made by the State agencies' that own those systems. Each State agency that owns a side door interface will need to determine when and if those interfaces will be converted to front door interfaces.   The State anticipates that more of the side door interfaces may be converted to front door interface processes. The State does not know the timing of when/if the side door conversions will occur. Therefore, Treasury will work closely with the Contractor to coordinate the addition of vendor payments to this contract.

Currently, participation for ACH payments is voluntary.   However it should be noted that according to Public Act 533 of 2004, "Beginning October 1, 2005, all contracts that the state enters into for the purchase of goods or services shall provide that payment shall be made by electronic funds transfer". This law should increase the volume of Vendor ACH payments.

Description of the State's enhanced Vendor Registration, ACH, FEDI, and Remittance Advice Process

The Department of Management and Budget (DMB) is responsible for administering the State's vendor registration process.

Vendors are able to register with the State on-line through the Internet. The ACH authorization form is available through the Internet. The form will need to be printed, completed and signed by the appropriate vendor representative, verified by the vendor's financial institution, and mailed to the DMB.

Currently, vendors can only specify one bank account to receive ACH payments. It is possible that the State may modify the existing system to allow for the option of registering multiple bank accounts in the future. This change may impact future volumes and telecommunication line needs.

DMB offers vendors/payees the option to utilize the State's web site to obtain remittance advice information for payments. At the time of registration, vendors will select payment and remittance options. There are two payment options: ACH (FEDI) or warrant (check). Within the ACH option, the vendor may choose FEDI with remittance or FEDI with web remittance. If the vendor chooses FEDI with web remittance, the vendor will receive a FEDI ACH payment and may use the State's Internet site to view and print remittance information. Proper security is required for a vendor to view its remittance information on the State's web site. Vendors that choose FEDI with remittance will receive remittance in the form of addenda records along with the payment.

While the State has large corporate vendors, the majority of the payments are made to payees (clients) or small vendors. Consumer type payees are paid via the PPD ACH standard entry. Small business vendors receive a CCD ACH standard entry class and access the State's Internet site to obtain their remittance information, if needed. Many of these vendors receive regular payments from the State and the purpose of the payment and dollar amount do not change. In many cases, the vendor only needs the date of the payment and the dollar amount. Also, many of these vendors do not have sophisticated computer systems to interface accounts receivable receipts. The PPD and CCD payments will be sent to the Contractor utilizing FEDI.

For the State's large vendors, we offer the option for FEDI via the CTX ACH standard entry. These vendors obtain the remittance information from their Receiving Depository Financial Institution (RDFI).

Occasionally, zero dollar payments with addenda are utilized using CCD+.

The PPD, CCD, CCD+, and CTX standard entries are sent to the Contractor utilizing the 820 FEDI transaction set.

1.002.2.2.   Payments from Other Systems (PFOS)

The State also initiates payments from four other systems outside of the MAIN system. The MAIN system is updated with these payments.

The payments are:

   a.   Payroll
   b.   Retirement
   c.   Income Tax
   d.   Welfare payments

The first three payment types are paid with ACH if the customer has chosen that option. PFOS ACH payments do not utilize remittance information.
At this time, due to system limitations, the welfare payments do not have an ACH option. However, the majority of payments are paid by electronic benefits transfer (EBT). EBT utilizes a debit card concept for payment and is not included in this contract.

ACH may become an option in the future for some Welfare payments.

The PPD standard entries are sent to the Contractor utilizing the 820 FEDI transaction set.

3.   Prenotifications

For vendor payments, prenotifications will be done at the point a vendor registers with the State. Quite some time could pass before a vendor actually receives a payment. However, once registered, the vendor is responsible for updating direct deposit details on the DMB Web site if account information changes. Some will never receive a payment. Some vendors may choose not to provide information for the ACH option until they have a contract with the State.

For PFOS and ACH Revenue programs, prenotifications are initiated upon receipt of a signed authorization form. No prenotifications are done for Income Tax Refunds or Retirement transactions. At a later date the State may choose to discontinue originating all prenotifications.

Prenotifications use PPD and CCD Standard Entry Classes.

1.002.2.4. Foreign ACH Transactions

The State does not anticipate utilizing foreign ACH standard entries. However, it is anticipated that during the contract term foreign ACH transactions are possible. Thus, pricing for cross-border payment standard entry class codes, CBR (Corporate Cross-Border transaction) and PBR (Consumer Cross-Border Transaction) is being requested.

5.   Reversals and Reclamations

FEDI transaction sets will be transmitted to the Contractor to initiate reversals and reclamations for vendor and PFOS payments. The Contractor is required to have a PC or Web based ACH product with a minimum 128 bit encryption capable of initiating reversal and reclamation transactions as a back up. Reversal of ACH Revenue transactions or files is possible but unlikely.

6.   Cancellations

An 829 Payment Cancellation Request transaction set is used for cancellation of a previously transmitted electronic payment before funds are released. Vendor or PFOS payments can be cancelled. See the diagram in Article 1.101 titled *EFT: Flow of EDI Transactions* for the timing and flow of the 829-transaction set. Manual processes may be required to notify the Contractor and provide approval for the 829 since the 831 transaction set is processed prior to transmission. Details of this process will be determined during implementation.

An 829-transaction set is sent every business day. On days when no cancellations are required a "null" 829-transaction set is sent.

Appendix I contains the following document: *Guidelines for FEDI 829 Cancellations Combined Implementation.*

7. Business Day

Business day is defined as any day the State of Michigan is open for business. FEDI transactions may be transmitted to the Contractor on weekends and holidays. When a payment date is a holiday or a weekend, payments will be given a settlement date of the next State business day. This process will be further clarified during implementation.

Federal Reserve holidays that are not State holidays are also observed (Columbus Day).

8. Translator

The State uses IBM WebSphere Data Interchange – Version 3.2.

9. Batches

Each Payment Type (Vendor, Payroll, Income Tax, and Retirement) and its corresponding payment action will be in a separate batch within the daily transmission. For example, the Vendor Payment Type will have separate batches for payments, prenotifications, reversals, and cancellations. Payroll can have separate batches for payments, prenotifications, reversals, and cancellations. Income Tax can have payments, reversals, and cancellations. Retirement can have payments, reversals, reclamations, and cancellations. Each batch receives its own 824 and 997 response. In addition, 824 and 997 responses must be received at the transaction level where specified.

1.1 Scope of Work and Deliverables

1.101 IN SCOPE

This Contract will result in a Contractor processing the State's ACH payments and certain ACH Revenue Programs. The State will be originating payments in the FEDI format for Vendor and PFOS ACH payments. ACH Revenue Programs will be originated in standard ACH format.

The Contract Compliance Inspector will be with the Department of Treasury. The Department of Management and Budget (DMB), MAIN, functions like a subcontractor for Treasury. Vendor and PFOS files will be sent to the bank from the DMB, MAIN. ACH Revenue Programs will send their files to the Contractor directly through the State's Data Exchange Gateway (DXG).

It is not anticipated that the 835-transaction set will be utilized for Vendor payments and thus no file layout is attached. However, it is feasible the State will add the 835-transaction set in the future. The 835-transaction flow will be the same as the 820-transaction set flow reflected on the EDI chart at the end of this Article 1.101 titled *EFT: Flow of EDI Transactions.*

Specific Objectives:

1. Provide ODFI services to the Department of Treasury.
2. Receive FEDI transaction sets from the State for Vendor and PFOS payments. (The State will use the 4010 version of the ANSI X12 standards.) Convert to ACH for transmission through the ACH Operator. Receive standard ACH formatted files for ACH Revenue transactions.
3. Process ACH transactions for PPD, CCD, CCD+, TEL, and CTX transactions, with the option of processing CBR, WEB, and PBR if Treasury chooses to utilize these options.
4. For Vendor and PFOS payments, utilize/process the following transaction sets:

➢ 820   Payment Order/Remittance Advice
➢ 824   Application Advice
➢ 827   Financial Return Notice (and Notification of Change)
➢ 829   Payment Cancellation Request
➢ 831   Application Control Totals
➢ 835   Health Care Claim Payment/Advice (possible in the future)
➢ 997   Functional Acknowledgement

1.101.5.   Warehousing of transactions will be necessary for at least three holiday cycles during the year: Thanksgiving, Christmas, and New Years and it may be required on other occasions. Assume a maximum of five days for warehousing per year.

6.   FEDI capability to originate reversals and reclamations.
7.   Provide controls to ensure integrity, security, and accuracy of financial and remittance data.
8.   Encryption of files transmitted between the State and Contractor is required.
9.   Provide a dedicated, experienced, and knowledgeable FEDI implementation team to ensure the efficient and timely migration from the State's current vendor.
10.   The selected Contractor must have extensive experience in FEDI as noted in Articles 1B.200 and 4.022 of this RFP.
11.   Provide customer service support and maintenance. Customer support staff must be experienced. Experienced back-up staff are also required.
12.   Provide timely responses to tracer requests. This includes requests that are considered 'current' and those that may be 'dated' once received by the Contractor from the State.
13.   Provide bank PC or Web based software that uses a minimum 128 bit encryption to initiate ACH transactions on an exception basis. This includes origination, reversals, and reclamations. (This will typically be used as a backup contingency plan.)
14.   Provide bank electronic cash management software to view daily bank statements, adjustments, etc.
15.   Acquire a high quality FEDI/ACH process that ensures timeliness, accuracy, security, integrity, and confidentiality of data.
16.   Compliance with designated State banking statutes, The State Constitution, National Automated Clearing House Association rules, Uniform Commercial Code Section 4A, Regulation E, and Treasury and DIT policies and procedures.
17.   Reporting that meets Treasury needs.
18.   Follow the State of Michigan FEDI Implementation Guide. See Appendix H.

Diagram

The following diagram titled *EFT: Flow of EDI Transactions* reflects the FEDI flow. The State anticipates the same flow for 835-transaction sets if utilized. At this time, the State anticipates the 835 and 820-transaction sets will be sent as separate files. Multiple transaction sets may be sent together even though the chart depicts them as separate transmissions. These issues will be resolved during implementation, as the Contractor may have different policies on transaction flow and content.

If a cancellation is required, the 829-transaction set will be utilized.

The Contractor will send a 997-transaction set back to the State to acknowledge receipt of the file for all transaction sets.

EFT: Flow of EDI Transactions

Refer to the following diagram for the proposed flow of transactions between MAIN FACS and the Contractor Bank. Times are tentative.

SOM MAIN FACS		ODFI BANK

820 Payments, prenotes, reversals & reclamations, 824 dishonored returns →

← **5:00 AM** 997 Response to 820s & 824 advice for 820

997 Response to 824 advice for 820 →

9:00 AM 831 Control Totals →

← 997 Response to 831, 997 Response to 824 dishonored returns, 824 advice for 831 & 827 Return Notice **9:30 AM**

997 Response to 824 advice for 831 & 997 Response to 827 Return Notice →

10:15 AM 829 Cancellations →

← 997 Response to 829 & 824 advice for 829 **10:40 AM**

After the receipt of the 829 transaction set and correct balancing of total counts and amount the Contractor Bank releases the approved payments and prenotes minus the approved cancellations, reversals, and reclamations into the ACH network

1.102   OUT OF SCOPE

1.   The State currently has a Contract with First Data Government Solutions (FDGS) to provide an enterprise-wide electronic payment and authorization solution called **C**entralized **E**lectronic **P**ayment and **A**uthorization **S**ystem (CEPAS) that supports credit card and ACH debit transactions. All State ACH debit applications are processed through the CEPAS system and are excluded from this Contract <u>except</u> the three (3) ACH revenue programs described in Article 1.002. In addition, the three (3) ACH revenue programs described in Article 1.002 may migrate to the CEPAS system.

2.   Credit and Debit card processing is not included in this Contract.

3.   Electronic Benefit Transfer (EBT) processing is not included in this Contract.

4.   Wire Transfer processing is not included in this Contract.

5.   Remote capture and deposit of checks that may utilize ACH is also out of scope at this time. Contractors are requested to provide information related to their capabilities in this area. Please do not include pricing.

Contractor Response to task:

> **Business Deposit Capture:**
>
> **As an industry leader in image technology, Comerica provides solutions to help you reduce costs and improve efficiencies, as well as take advantage of opportunities resulting from the Check 21 legislation. Comerica Business Deposit Capture^{SM} is our remote check deposit service that lets you scan checks and deposit items for electronic delivery to Comerica.**
>
> **Comerica Business Deposit Capture^{SM} brings the advantages of image capture to your office. You can even use it to consolidate information from remote locations. And since your transmitted deposits enter the collection stream faster than traditional methods, you can reduce the cost, risk and clearing times associated with paper checks.**
>
> **Comerica Business Deposit Capture^{SM} is a deposit solution that gives you the ability to create images of the checks you receive throughout the day and deposit them to your bank electronically. You will no longer need to bundle and bag checks and rely on couriers to transport your deposits, as the paper items are truncated at the point of capture.**
>
> **The process is simple. You will use a small tabletop scanning device along with Comerica Business Deposit Capture^{SM} software to image check deposits. Business Deposit Capture^{SM} automatically verifies each check using advanced handwriting recognition software. Completed and balanced deposits are then transmitted to your financial institution or central processing site via an Internet connection. You can also send unbalanced transactions if your application is configured as such.**
>
> **Customers have the ability to research deposits from within the Business Deposit Capture application. You can locate and view specific items as needed.**
>
> **Electronically making deposits allows you to gain the convenience of an extended deposit window beyond that of traditional bank branch hours. Additionally, you can improve funds availability as certain transit items may clear faster. Returned item processing can be accelerated when using Business Deposit Capture^{SM} . Bank fees can be reduced because you can consolidate regional or nationwide deposits to a single account.**

Using the capture process to update your account receivables will allow you to retain a complete image of the checks for your records and can assist on improving customer service.

Fraudulent checks are identified sooner which can help reduce fraud losses.

ACH Positive Pay:

As a leader in treasury management solutions, Comerica Bank is always looking for ways to improve and streamline our customers' business banking. Comerica ACH Positive Pay is a new and unique online solution designed to provide optimal fraud protection and information management capabilities for ACH transactions. This positive pay system is the first of its kind and offers complete monitoring and timely control over your company's ACH activity.

Unlike other methods for credit and debit management which require manual reconciliation after posting, Positive Pay provides you with the ability to review incoming ACH items and accept or reject them before they actually post to your account. If a suspect item appears, you may reject it and it will be returned through the ACH Network as unauthorized, providing invaluable peace of mind and protection against fraud.

In addition, Comerica ACH Positive Pay is secure and convenient to use. Simple access via TM Connect Web lets you review the items awaiting acceptance for posting. If you choose to accept the item, it will be sent to Comerica's demand deposit system for posting that night.

As use of the nationwide ACH network increases, you can protect your company from unauthorized transaction posted to your accounts. Comerica's ACH Positive Pay greatly reduced risk and puts you in complete control of your ACH activity, giving you unsurpassed confidence and security.

1.103   TECHNICAL ENVIRONMENT

The translator the State uses is IBM WebSphere Data Interchange – Version 3.2.

The State transmits ACH Payment files from the MAIN facility in Boulder, Colorado to Comerica using File Transfer Protocol (FTP) over a dedicated leased line. Files are encrypted using hardware encryption. Electronic mailboxes at MAIN and Comerica will be the single control point for MAIN to communicate with Comerica. MAIN will deliver and pick up files from Comerica's electronic mailbox. The back up line is a 56k dial up line.

The State transmits ACH Revenue files from the State's TANDEM Data Exchange Gateway located in Dimondale, Michigan to Comerica bank over a 56k point-to-point dedicated leased line. The protocol used is SNA with Direct Connect. Files are not currently encrypted. The back up line is a second 56k point-to-point dedicated leased line. The transmissions will be encrypted under this Contract.

The State reserves the option to require Comerica to use a primary and back up VPN connection configured following State requirements instead of the existing dedicated leased lines.

VPN Requirements - An IPSEC compliant Gateway-to-Gateway VPN connection is an acceptable option for transfer of electronic files. This option will require the Contractor to provide:
>(1) a public static IP address for the remote gateway device
>(2) both a primary and secondary technical point of contact for customer end support
>(3) the TCP/IP data needed to configure the tunnel i.e. destination IP addresses and ports
>(4) Comerica will configure two VPN tunnels (a primary and secondary for backup).

All Contractors are advised that the implementation of a VPN requires excellent communication and collaboration with the State of Michigan telecommunications experts assigned to its implementation.

Comerica agrees.

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:

The following is a preliminary analysis of the major tasks involved for developing the end product of this project. Comerica is not, however, constrained from supplementing this listing with additional steps, sub tasks or elements deemed necessary to permit the development of alternative approaches or the application of proprietary analytical techniques.

1.   **Overall Plan**

An overall project plan must be developed in Article 1, Attachment D as a basis for executing subsequent steps as the implementation progresses. Essential to the process of this task is the preparation of a sound approach to attaining the objectives.

Contractor Response to task:

All of the services are currently provided to the State. The only implementation needed would be for additional services. If additional services are needed Comerica will provide a project plan at that time.

Clarification Dated January 4, 2007
>Please provide a project plan for implementing additional services requested in this RFP (section 1.104.1, page 4). Additional services include encrypting ACH Revenue transmissions (section 1.104.11.b.4).

Comerica's Response:

Please see the attached PDF for the work plan for encrypting ACH Revenue transmissions.

2.   **Pre-notification Process**

a.   <u>Format.</u> MAIN will initiate a Pre-notification transaction for all ACH Payment Entries except Income Tax and Retirement. The Pre-notification process for ACH Payments will incorporate the FEDI 820-transaction set using the standard ACH formats of PPD or CCD. The Pre-notification process for ACH Revenue programs will use standard ACH format. In addition, Pre-notification Entry Data will not be commingled with live Entries, but will be transmitted in a separate batch. Comerica will convert the 820-transaction set to the ACH standard entry formats for submission to the ACH operator. Pre-notifications for each Payment Type (Contractor and Payroll) will be in a separate batch.

Contractor Response to task:

The conversion of prenote entries from the EDI 820 transaction set to standard ACH entry formats is in production today with the State of Michigan. Comerica will use the Electronic Payment Network as our ACH operator.

b.   Pre-notification Returns and Notifications of Change (NOC).
Comerica will notify MAIN, via the 827-transaction set, of Pre-notification Returns and NOCs. Pre-notification Returns and NOCs will be on the same 827-transaction set files as NOCs and Returns for live transactions. These Returns and NOCs will be referred by MAIN to the appropriate State system to process appropriate data corrections. MAIN can initiate an 824-transaction set to reject an untimely or incorrect NOC and dishonor a return in cases of incorrect or missing information.

See Appendix H for the 827-transaction set file layout.
Pre-notification Returns and NOCs for the ACH Revenue Programs will be transmitted in standard ACH format directly to a designated state electronic mailbox for program retrieval. If no Returns or NOCs are received for a particular Revenue Program a "null" file will be sent to confirm no Returns or NOCs were received. Null files are only used with ACH Revenue Programs. In addition, other types of daily Return and NOC reporting (such as auto faxed reports) are required to supplement/back up the electronic file process.

Contractor Response to task:

> **This process is currently in place for the State at Comerica.**

c.   Timing. Contractor Pre-notifications will be done at the time a Contractor registers with the State. It may be some time before a registered Contractor provides a product or service that necessitates an ACH payment. Some registered Contractors may never receive an ACH payment.   Some Contractors may not provide their banking information to the State until they are selected as a Contractor, in which case the Pre-notification will be done at that time. For PFOS and ACH Revenue Programs the Pre-notification will be originated upon receipt of a signed authorization form.

Contractor Response to task:

> **This process is currently in place with the State at Comerica. We acknowledge the potential delay between the origination of a prenote and payment activity. Although this is not a processing violation, it's still our recommendation that the State reissue a prenote for delays in excess of three months. We have instituted this procedure to preserve the integrity of the State's vendor registration file. This is especially true for the payee vendors as statistics show the average life of a consumer account to be approximately six months.**

3.   **File Origination**

a.   Format. The transaction data for Contractor and PFOS payments will be transmitted to Comerica in an 820-transaction set. The file transmitted to Comerica will be an "unbalanced" file (see Appendix P, Glossary of Agency Terms). Files for the ACH Revenue Programs will be in Standard ACH Format.

Contractor Response to task:

> **At this time, Comerica is provided with an unbalanced file from the State as we are the current Contractor.**

b.   Standard Entry Class Codes. Consumer transactions will be paid using the PPD standard entry class code (SEC). In the future, the State may begin using PPD+. Commercial payments will be paid using the CCD SEC. Commercial payments that contain remittance information will be paid using the CCD+ and CTX SEC. The CTX SEC includes addenda records. In the future the two new cross border payment SECs, CBR and PBR, may be used for transmission of cross-border payments. ACH Revenue Programs will use PPD, CCD, TEL, and WEB.

Contractor Response to task:

> **Comerica currently process all of the SEC codes noted above and are in production.**

    c.   <u>Transmission Timing and Method</u>. The ACH transmissions to Comerica will generally take place one (1) or two (2) State business days prior to settlement date (see Appendix C, Daily Processing Schedule, for schedule).

    1. Typically the ACH Payment files will be sent two (2) business days prior to the settlement date.
    2. ACH Revenue Programs will be transmitted one (1) business day prior to the settlement date.
    3. The settlement date for Reversals and Reclamations will be the current date.

Comerica will originate the ACH Credit and Debit Entries so they are passed to the RDFI on the appropriate date. Transmission will be by:

<u>Method Used to Transmit Contractor and PFOS Payments</u>

    1.   Single or multiple daily electronic line transmissions over minimum 56k dedicated leased lines with SNA between the State's mainframe, located in Boulder, Colorado, and Comerica. Comerica may be required at the option of the State to transmit files over a VPN connection configured following State requirements (see section 1.103).

> **Comerica supports single or multiple daily electronic line transmissions over a 56kb dedicated leased line between the State's mainframe in Boulder, Colorado, and Comerica's Operations Center in Auburn Hills, Michigan.**
>
> **Comerica would prefer that these transmissions be IP based. The following transmission systems could be used. Connect:Direct - can be used via a dedicated line or VPN/Tunnel. FTP - using a dedicated line or VPN/Tunnel or DataVault/Cyber-Ark.**

    2.   Dial up via a minimum 56k modem as a back up process in case of dedicated leased line failure. The Contractor may be required at the option of the State to transmit files over a VPN connection configured following State requirements. The VPN back up option could be required even if the primary connection remains a dedicated leased line.

> **Automatic dial backup is provided via a switched 56kb line for seamless performance**.

<u>Method Used to Transmit ACH Revenue Programs</u>

    1.   Single or multiple daily electronic line transmissions over minimum 56k point to point dedicated leased lines between the State's Data Exchange Gateway (DXG) located in Dimondale, MI and the Contractor. The Contractor may be required at the option of the State to transmit files over a VPN connection configured following State requirements (see section 1.103).

    2.   The back up line will have a second 56k point-to-point dedicated leased line. An automated switch will be used to move the connection from the primary to the back up line in cases of line failure. The Contractor may be required at the option of the State to transmit files over a VPN connection configured following State requirements. The VPN back up option could be required even if the primary connection remains a dedicated leased line. The current timing of the various file transmissions to and from the Contractor is in Appendix C, Daily Processing Schedule.

Contractor Response to task:

> **Comerica supports single or multiple daily electronic line transmissions over a 56kb dedicated leased line between the State's mainframe in Boulder, Colorado, and Comerica's Operations Center in Auburn Hills, Michigan.**
>
> **Comerica would prefer that these transmissions be IP based. The following transmission systems could be used. Connect:Direct - can be used via a dedicated line or VPN/Tunnel. FTP - using a dedicated line or VPN/Tunnel or DataVault/Cyber-Ark.**

Clarification Dated January 4, 2007
> The Method Used to Transmit Contractor/Vendor and PFOS Payments was addressed (line between Boulder, CO and Auburn Hills, MI); however, the Method Used to Transmit ACH Revenue Programs was not addressed (line between Dimondale, MI and Contractor [section 1.104.3.c, page 6]).

Comerica's Response:

> **Comerica supports single or multiple daily electronic line transmission over a 56kb dedicated leased line between the States Data Exchange Gateway located in Dimondale, MI and Comerica.**

        d.   <u>Confirmation</u>. The Contractor must institute verification procedures with MAIN and ACH Revenue Programs.

            1.   <u>ACH Revenue Programs</u> - This verification will include a confirmation of the number of transactions, the total dollar amount, the settlement date, and any erred transactions for all files delivered. The confirmation must be available within 30 minutes of the receipt of the files. Typical methods include IVR Confirmation and Contractor transmission of Confirmation file data to the ACH Revenue Program mailbox. See Appendix N for the required components of the Confirmation data page that is to be sent by the Contractor to confirm the file was received.

            2.   <u>MAIN</u> – Confirmation should be in the form of an 824-transaction set and a 997 Functional Acknowledgement. The 824 should supply positive confirmation for each transaction transmitted to the Contractor. Summarized confirmation is not acceptable.

Contractor Response to task:

> **The EDI 824 transaction set will serve as confirmation for the EDI 820 and 831. To allow for decryption of the 820 and encryption of the 824, we currently meet a one-hour service level for the return of the 824 acknowledgement rather than the one half hour service level requested by the State. In the event that normal electronic transmission facilities fail, a print out of the 824 will be sent by facsimile to the State. A service level for this contingent procedure is in place with the State.**

Clarifications Dated January 4, 2007
> Is confirmation available within one half hour (30 minutes) of the receipt of the ACH Revenue Program files (section 1.104.3.d.1, page 7)?

Comerica's Response:

> **Yes**

> In the event normal transmission facilities fail, a print out of the 824 is sent by fax to the State, and a service level is in place with the State for this contingent procedure (section 1.104.3.d.1, page 7). Identify what the service level is?

Comerica's Response:

Service level is 9am.

> e.   Error Notification. When the Contractor performs its edit of the State's transactions, the Contractor will notify MAIN and/or ACH Revenue Programs of errors in formatting or other errors that the Contractor cannot correct that will prohibit the successful transmission of the file. For MAIN, the notification will be in the form of an 824-transaction set (See Implementation Guide in Appendix H) as well as a 997 Functional Acknowledgement. The notification for the ACH Revenue Programs will be by phone. A Contact List will be provided during implementation. The edits performed by the Contractor will be determined during planning and testing prior to implementation.

Contractor Response to task:

Comerica provides the State a 997 to acknowledge the successful receipt of each 820. The 824 transaction set is used to inform the State of all successful and failed transactions. We agree that the implementation guide will detail the edits to be performed as well as the content of the 824, which will report the error.

Clarification Dated January 4, 2007
Will error notification for the ACH Revenue Programs be via phone (section 1.104.3.e, page 8)?

Comerica's Response:

Yes

> f.   Other Edits. Edits must include verifying that routing transit numbers are valid. This edit will likely occur in the ACH file processing. The other edits that the Contractor will perform will be determined during implementation. Any FEDI rejects will be returned in the 824-transaction set.

Contractor Response to task:

Comerica performs an edit for maximum dollar amount at the transaction level within EDI, PEP+, or both. The routing transit numbers pass two edits. EDI will execute a check digit routine, and PEP+ will further validate the number against the Composite Receiver File. This process is currently in place with the State.

> g.   835-Transaction Set. It is possible the State may use the 835-transaction set, *Health Care Claim Payment/Advice,* for delivery of health care payments in the future. A separate batch or file will be sent for these payments. The State anticipates that this transaction set may be utilized for Medicaid Provider payments. It may also be utilized for other medical related payments that the State may pay. The FEDI format selected will need to comply with Federal requirements or standards.

Contractor Response to task:

Although we do not have any customers using this transaction set today, Comerica will evaluate each 835 opportunity presented to determine if a solution can be offered.

> h.   Warehousing. Warehousing of transactions will be necessary for at least three (3) holiday cycles during the year: Thanksgiving, Christmas, and New Years. It may be required on other occasions. Assume a maximum of five (5) days for warehousing.

Contractor Response to task:

Comerica currently warehouse's transactions up to 30 calendar days within the PEP + system.

i   No File. It is extremely unlikely but possible that the State may encounter business days when no FEDI/ACH payments are generated. If this occurs the State will transmit an 820 to notify the Contractor there is no payment data today (see page 80 of the FEDI Implementation Guide in Appendix H).

Contractor Response to task:

Comerica agrees and recommends a dual control approach for days without payment activity. The first control will be the receipt of a null file through EDI, and the second will be the use of an established calendar for the State within PEP+ to expect a daily file. These automated system warnings are cross checked within the Operations Support area to ensure that the appropriate action is taken on behalf of the State for that processing day.

j.   ACH Operator. The Contractor shall identify the ACH Operator to be utilized by the Contractor. If the Contractor changes ACH Operators during the term of this Contract, notification of the change must be provided to the Contract Compliance Inspector at least 60 days prior to implementing the change.

Contractor Response to task:

Comerica currently informs the State's Compliance Inspector if ACH Operators change.

k.   EDI Capable Questionnaire. Contractors are required to complete the EDI Capable Questionnaire in Appendix E to enable the State to better understand and evaluate the Contractors EDI capabilities.

Contractor Response to task:

See Appendix E.

4.   **Returns and Notifications of Change (NOC)**

a.   Returned Entries. Entries initiated into the ACH system, either Pre-notification Entries or live dollar Entries, may be returned for specific reasons. Returns may be originated by the Contractor, ACH Operator, or the RDFI. The Contractor's receiving software must be able to recognize returns and sort them appropriately for delivery to the State. Returns for Contractor and PFOS payments will be sent to MAIN using the 827-transaction set. Returns for the ACH Revenue Programs will be sent directly to a designated State electronic mailbox for program retrieval using standard ACH format. In addition, ACH Revenue Programs are to receive daily faxed reports from the Contractor or electronic access to reports that list the details of that days return items.

Contractor Response to task:

Comerica understands the importance of quality handling and timely notification of ACH exception entries. We will recognize and properly sort the State of Michigan's return. All FEDI entries (except those qualified as Unresolved Returns) are reported in the 827 transaction set. Use of this transaction set as described in the CONTRACT is in production today with the State.

Each ACH Revenue program receives an ACH formatted return file.

b.   Notifications of Change (NOC). Entries initiated into the ACH system, either Pre-notification Entries or live dollar Entries, may be responded to by an NOC. NOCs may be originated by the Contractor or the RDFI. The Contractor's receiving software must be able to recognize NOCs and sort them appropriately. NOC's for Contractor and PFOS payments will be sent to MAIN using the 827-transaction set. NOCs for the ACH Revenue Programs will be sent directly from the Contractor to the appropriate Revenue Program using standard ACH format. In addition, ACH Revenue Programs are to receive daily faxed reports from the Contractor or electronic access to reports that list the details of those days NOC items.

Contractor Response to task:

Comerica understands the importance of quality handling and timely notification of ACH exception entries. We will recognize and properly sort the State of Michigan's NOC entries. All FEDI entries (except those qualified as Unresolved Returns) are reported in the 827 transaction set. Use of this transaction set as described in the CONTRACT is in production today with the State.

Each ACH Revenue program receives an ACH formatted return file.

c.   General

1.   Processing Window. The Contractor must be aware of specific processing windows offered by ACH Operators for the processing of Returns and NOCs. The Contractor must make sure, on a daily basis, the files containing Returns and NOCs are retrieved from the ACH Operator prior to the close of business for proper posting and handling.

Contractor Response to task:

Comerica currently collects and properly posts all files available by the Federal Reserve according to the following Processing Window Table.

Comerica's File Collection Windows & Distribution to ACH Operators. times designated are Eastern Time)

6:00 a.m.	ACH Operator files collected; Distribution of Comerica's warehoused transactions
11:00 a.m. 12:30 p.m.	Comerica contingency processing window only
4:00 p.m.	ACH Operator files collected; Customer files distributed to ACH Operators
7:00 p.m.	ACH Operator files collected; Customer files distributed to ACH Operators
10:00 p.m.	Customer files distributed to ACH Operators

ACH Operators Delivery Schedule (all times designated are Eastern Time)

3:00 a.m. 8:00 a.m. 11:00 a.m. 3:00 p.m. 8:00 p.m.	ACH Operators distribution to Comerica

2.   <u>Automated Returns and NOCs.</u> The State does not want to receive manual Returns or NOCs. For example, if Returns or NOCs error out at the Contractor, the State does not want Returns posted to our bank account that are not received on the 827-Transaction Set or in a standard ACH return file. Returns can error out at the Contractor because of various edits in place at the Contractor.   Treasury and the Contractor will need to agree what the edits will be to ensure rejected Returns or NOCs are NOT presented to the State in a paper report without an automated entry received through the 827-Transaction Set for ACH Payments or in a standard ACH return for ACH Revenue Programs. Please describe how the Contractor can ensure all the State's Returns and NOCs are received on the 827-Transaction Set or in a standard ACH return files. (Please see Section 1.104. 4.c.6 below, Returned or Refused NOCs and Rejected Returns, before responding.)

Contractor Response to task:

> **The data source used to create the 827 transaction set is PEP+. All items processed by the system are included on the file provided to the State. The only transactions that are not included on the 827 will be Unresolved Returns. These transactions are not recognized by PEP+ because the matching original entry cannot be appropriately identified by the system in order to create the reversing entry. An Unresolved Return is an entry that is either no longer on the PEP+ warehouse (in excess of 10 business days from the effective date), or that does not match the format or content of the original entry. Fields interrogated to determine a match include, Comerica PAR (trace) number, transaction code, dollar amount, company I.D., and account number.**
>
> **Today, the State receives a report of these items by facsimile. The processing options available to the State are to dishonor the return if it is late, or reissue the payment with a substitute entry.**
>
> **Comerica supports the State's decision regarding dishonoring returns and refusing NOCs which were determined back in 2000 when Comerica was rewarded the business. Comerica uses the appropriate reason codes to dishonor returns or refuse NOCs. The Unresolved Return Report (which includes NOCs) is sent daily to the State's Contract administrator.**

3.   <u>827-Transaction Set</u>. The Contractor will transmit all Contractor and PFOS Return Entries and NOCs to MAIN. These will be transmitted in an 827-transaction set. (See Appendix H for the 827-transaction set).   ON-US Returns and NOCs cannot be received by the State prior to the settlement date of the original transaction.

Contractor Response to task:

> **Comerica agrees that ON-US Returns and NOC entries will not be sent to the State prior to the settlement date of the original transaction.**

4.   <u>Transmission Time</u>. According to the 2006 NACHA Rules, each Return Entry and NOC must be received by the RDFI's ACH Operator by its deposit deadline for the Return Entry or NOC to be made available to the Contractor no later than the opening of business on the second banking day following the settlement date of the original entry. Warehousing of return files may be required for State holidays.

Contractor Response to task:

> **Comerica believes that delivery of a daily file is the most efficient way to process the 827 transaction set. This will minimize the effort required to manage the receipt of this file, while at the same time, expediting the receipt of same day information from the 6:00 a.m. Federal Reserve window. The 827 is currently available by the first collection window (6:00 a.m.), which constitutes opening of business for the PEP+ application. This file is delivered to the State by the requested time of 9:00 a.m. However, this can be provided earlier if needed.**

5.   <u>State Responsibilities</u>.   The State of Michigan will electronically update the State's Contractor and PFOS databases to reflect the Returns and NOCs. Other databases will be updated accordingly. ACH Revenue Programs will electronically update their databases as well.

Contractor Response to task:

> **Comerica agrees that the State will be responsible for making the appropriate updates to in house systems and databases as necessary.**

6.   <u>Dishonored Returns and Refused NOCs.</u> The State occasionally receives Returns that have not been formatted correctly by the RDFI. In an effort to minimize manually updating to the extent possible, returns received that are incomplete and cannot be transmitted to the ACH Revenue Program electronically are to be dishonored by the Contractor. MAIN may dishonor incorrect or duplicate returns received in the 827-transaction set by returning them in the 824-transaction set.

Incorrect or untimely NOCs may be refused. MAIN will return NOCs received in the 827-transaction set by returning them in the 824-transaction set.

Contractor Response to task:

> **Comerica agrees. Comerica still recommends that the State not adopt the practice of dishonoring returns. Based on the nature of these transactions which represent payments made to vendors of the State, the potential for ill will within the vendor community and subsequent negative impact to the electronic payments program itself is too great a risk when compared to the benefit of dishonoring a return. This practice would further subject the State's vendor relationships to the varying degrees of RDFI research expertise in successfully resolving dishonored returns that cannot be posted.**
>
> **The State can dishonor late returns, which will be automatically returned through the ACH network. The impact to the receiver is that the money will not be deposited. The RDFI will have an entry that cannot be posted. The nature of these payments will create a dispute for the State with their vendor community. The State will show an Accounts Payable entry, but the vendor will show an outstanding Accounts Receivable balance. The ODFI will not have an entry, but the RDFI will have a suspense entry for an item it is unable to post. The end result is costly research and delayed posting of credit transactions.**
>
> **Dishonored returns and refused NOCs are not recorded on a customer report.**

7.   <u>Reinitiation.</u> For ACH Revenue Programs, the Contractor shall reinitiate entries returned for insufficient or uncollected funds two times following the return of the original entry.

Contractor Response to task:

> **Comerica agrees. Currently we reinitiate one time, but can support up to 2 times as requested.**

      d.   <u>Additional Issues related to EFT Return Entries</u>.

            1.   <u>State Processing</u>. The State is responsible for correcting Returned Entries that are not the result of errors of the Contractor. The State may initiate a substitute payment (FEDI/ACH, wire, or State warrant) for a returned credit. The State will use an alternate form of collection for a returned debit for ACH Revenue Programs.

Contractor Response to task:

> **Comerica acknowledges. Comerica understands that the State will initiate a substitute payment to correct entries that are not the error of the ODFI.**

            2.   <u>Contractor Error</u>. The Contractor is responsible for correcting rejected Entries that are a result of the Contractor's error in sorting or accumulating Entries for transmission to the ACH Operator, if these errors are known and can be corrected with the same settlement date.

Contractor Response to task:

> **Comerica agrees. Comerica accepts responsibility for remaking failed entries that are a result of sorting or accumulating errors made by the ODFI.**

      e.   <u>Confirmation</u>. MAIN will acknowledge receipt of the 827-transaction set by sending an 824-transaction set and a 997-Functional Acknowledgment for ACH Payment returns.

Contractor Response to task:

> **Comerica is able to accept the 997 acknowledgement for the 827 transaction set. However, it is our recommendation that a null file be used to affirmatively acknowledge successful processing regardless of the result (activity vs. no activity). In this environment, receipt of the daily 827 file according to the established service level of 9:00 a.m. Eastern Time will serve as confirmation for the State that Comerica has completed daily processing. If a file is not received, the State will initiate a call to Customer Service to report the problem. This process is currently in place with the State.**

      f.   <u>No File.</u> It is possible there may be days where the Contractor has not received any Returns or NOCs for the ACH Revenue Programs. On days when no returns or NOCs are received the Contractor will initiate a "null" file to positively confirm that no returns or NOCs were received. If no returns or NOCs are received for the ACH Payment programs, transmission of a "null" 827 transaction is not required or expected.

Contractor Response to task:

> **Comerica agrees that the use of a null file provides greater control. We currently send null files for ACH Revenue Programs. We will not transmit an 827 null file.**

5.   **Reversals and Requests for Returns**

a.   Reversals. The State may initiate Reversing Entries to correct erroneous credit or debit entries previously initiated to a Receiver's account.   Reversing entries will be transmitted to the Contractor under the following conditions:

1.   The State will initiate a debit or credit entry to correct a previously initiated erroneous credit or debit entry.

2.   The State will submit a file to the Contractor containing the reversing entry in order for it to be delivered to the RDFI by midnight of the fifth banking day following settlement of the erroneous Entry.   If the time period for requesting a Reversing Entry has expired, Treasury will initiate a Request for Return. (See definition for Request for Returns in Appendix P, Glossary of Agency Terms).

As a back-up process the Contractor must provide to Treasury the appropriate personal computer or Web based software to generate the Reversing Entries electronically. Sufficient security and controls (minimum 128 bit encryption) must exist to safeguard sensitive information from exposure to unauthorized access. The preference would be for Internet based software, but others may also be acceptable.

For ACH Payment entries, Treasury will receive a credit for the Reversal on the settlement date; or, if initiated after the settlement date, the day after transmission to the Contractor. However, if there are not enough funds in the account at the RDFI (a request for a debit Entry), Treasury's account will be debited and the State will have to pursue reimbursement from the Receiver.

It is anticipated that Reversals will be forwarded to the Contractor by one (1) of two (2) of the following:

1.   Mainframe.   The current mainframe method is the method preferred by the State to ensure a fully automated FEDI/ACH system.   The mainframe process would involve issuing a FEDI 820 transaction set through a mainframe batch process transmitted from MAIN. ACH Revenue Programs will send a file in standard ACH format.

2.   PC or Web Based. The Contractor must furnish PC or Web based ACH software as a back up process. This is not the preferred method since it will require manual updating to the accounting system, and it would not allow complete updating to the accounting system.   This method would be acceptable as a back-up process. PC or Web software must use a minimum of 128-bit encryption to protect sensitive data.

Contractor Response to task:

Comerica supports the mainframe functionality for the origination of reversals. The FEDI transaction set used to communicate this order is the 820, which identifies the transaction with 'REV' in the BPR 04 and converts it to the appropriate literal in the ACH entry description field. This functionality is in production today with State.

The State currently utilizes Comerica's TMC Desktop as a LAN based personal computer back up to the FEDI process. Comerica TMC Desktop is able to recognize the reversal transaction and applies the required literal to the ACH Entry Description Field.

b.   Requests for Returns. A Request for a Return can occur if a single entry was originated in error (e.g. duplicate payment, wrong amount, wrong Receiver) and it is beyond the deadline for reversal. The request is a manual process. It is anticipated that Requests for Returns will be requested of the Contractor by such process as established between the Contractor and Treasury. Please describe your standard process.

Contractor Response to task:

> **The current process in place for the State is a secure form technology, where Comerica leverages the Internet to move information in a secure format between entities. A Request for Return form was created at the time the program was implemented in 2000. This form is routed directly to the State's dedicated customer service liaison, or Treasury Management Administrator (TMA) as titled by Comerica. The TMA will log the request into the Customer Service Lotus Notes based, case management system called SSTAR (Sales and Service Tracking And Reporting). This application electronically routes the request along with supporting documentation to the appropriate areas of the organization. In this case, the ACH operations support area will work the Request for Return and communicate the result to the State. Electronic communication systems such as Internet forms and SSTAR provide many benefits including, confirmation that the message has been received and correctly routed, and the ability to route and return a response to the originator of the request with the highest degree of responsiveness and efficiency.**

   c. <u>Confirmation</u>. For ACH Payments the Contractor will transmit an 824-Application Advice and a 997-Functional Acknowledgement for Reversals. For ACH Revenue Programs the Contractor will confirm as defined in Section 1.104.3.d.

Contractor Response to task:

> **Comerica processes the ACH reversal as a transaction within the 820 origination file. Consequently, the 997 and 824 acknowledgements for reversals are provided today to the State for the entire 820 file. Similarly, the 831 control total will account for both the payment entries as well as the reversals. It is not necessary to separate reversals.**

6. **Reclamations**

   a. It is anticipated that Reclamations will be forwarded to the Contractor by one (1) of two (2) of the following:

   1. <u>Mainframe</u>. The current mainframe method is the method preferred by the State to ensure a fully automated FEDI/ACH system. The mainframe process would involve issuing a FEDI 820 transaction set through a mainframe batch process transmitted from MAIN.

   2. <u>PC or Web Based.</u> The Contractor must furnish PC or Web based ACH software with a minimum 128-bit encryption as a back up process. This is not the preferred method since it will require manual updating to the accounting system, and it would not allow complete updating to the accounting system.   This method would be acceptable as a back-up process.

Contractor Response to task:

> **The mainframe process in place for the State today is to provide reclamation entries in a separate physical 820 file. EDI will then convert this transaction to the appropriate ACH format and add the 'Reclaim' literal to the entry description field before the transactions are processed by the PEP+ application.**

The State uses Comerica TMC Desktop as a LAN based personal computer back up to the FEDI process.

An additional benefit of Comerica TMC Desktop is the potential to automate the update of accounting and General Ledger systems in the event that the contingent payment process is exercised.

a. <u>Confirmation</u>. For ACH Payments the Contractor will transmit an 824 Application Advice and a 997-Functional Acknowledgement for Reversals.

Contractor Response to task:

The 997 and 824 acknowledgements you receive today serve as confirmation for the mainframe processing stream. An 831 application control transaction set is also required.

7. **Cancellations**

a. <u>Payment Cancellation.</u> Payment cancellation will be facilitated by transmission of an 829-transaction set to the Contractor prior to the Contractor releasing the electronic file to the ACH Operator. (The 829 file specifications are located in Appendix I) An 829 can contain one or more entries to be cancelled, including an entire batch or an entire file. MAIN will transmit a "null" 829 transaction set on days when no cancellations are required. <u>Please specify the timing constraints and deadlines associated with receipt of a cancellation file. Note the timing of the transmission of the 829 transactions set in the diagram</u> in Section 1.101 titled *EFT: Flow of EDI Transactions.* Manual processes may be required to notify the Contractor and provide approval for the 829 since the 831-transaction set is processed prior to the 829 transmissions. Details of this process will be determined during implementation. ACH Revenue Program transactions cannot be cancelled.

Contractor Response to task:

Comerica agrees. The 829 transaction set is used to facilitate payment cancellations at the batch and transaction levels. File cancellations are accomplished by canceling all batches within the file. This feature works in conjunction with the EDI warehouse, and is available until the file is released to the PEP+ application. The Service Level is 10:15 am as set by the state, for files scheduled to release in the 4:00 p.m. window.

b. <u>Confirmation.</u> Receipt of the 829 will be confirmed with an 824-Application Advice and a 997-Functional Acknowledgment.

Contractor Response to task:

Comerica agrees that the 829 transaction set will be used to confirm with a 997 and 824 acknowledgement. This transaction set is in production today with the State.

8. **Tracers**

The State will request that the Contractor trace certain payments. A Personal Computer or Web based process with a minimum 128-bit encryption to submit tracer requests from Treasury to the Contractor is preferred. The request will contain specific information related to the payment in question. The Contractor will:

a.   Verify that the item was not returned.

b.   If it was returned, the Contractor will notify Treasury of the return date.

c.   If not returned, the Contractor will contact the RDFI to determine if the payment was posted. If so, the Contractor will inform Treasury.

d.   If not returned and not posted by the RDFI, the Contractor will locate the trace number and contact the RDFI to request immediate credit to the Receiver's account.

e.   Treasury will be notified in writing of the results of all tracer requests via facsimile.

f.   The Contractor will supply a contact name, phone number, facsimile number, etc. for questions related to tracer requests.

g.   The Contractors may recommend other secure methods of exchanging tracer requests and results. Recommendations that result in greater efficiency and effectiveness will be considered.

h.   The timing of the Contractor responses to tracers is as follows:

1.   Requests with a payment settlement date less than 30 days old ('current' tracers). Written notification of results required within five (5) business days.

2.   Requests with a payment settlement date 30 days or older ('dated' tracers). Written notification of results required within 10 business days.

Contractor Response to task:

Comerica agrees. Comerica also recommends the use of an Internet secure form to submit a tracer request. Receipt of this request will be acknowledged, and attached to a SSTAR (Customer Service) case for proper routing and handling. The form template created to communicate Tracer requests will include all potential data elements required to perform the trace as well as an area for the response to be clearly communicated. Results of the Tracer will be presented on the original request form, which will eliminate redundant data entry and potential for error.   Comerica agrees with and will execute against the procedure as outlined for Tracer requests.

Laura Dutton, CTP, the primary Treasury Management Administrator assigned to the State, will be the contact for tracer requests.   You will find her contact information in the organizational chart under Article 1, Attachment B.

Service levels for Tracer are in place today as requested by the State.

9.   **Additional ACH Electronic Payments Using PC or Web Based Software**

This task relates to additional payments that need to be generated after the State's daily file(s) have already been sent to the Contractor following the normal morning schedule. Generating such payments should be very rare, but need to be provided for as a contingency plan. The processes below could also be utilized in the event there was a transmission or system problem that results in files not being able to be transferred by the mainframe computer.

a.   Personal Computer (PC) or Web Based ACH Software. The Contractor must provide PC or Web based software that has the capability to originate PPD, CCD, CCD+ and CTX transactions, CBR, PBR, Reversals, and Reclamations. The State only intends to originate ACH through this software in the event of systems problems at the State or the Contractor or severe time constraints that requires the State to originate ACH transactions in this manner. Be sure to fully describe the origination capabilities of the Contractor's PC or Web based ACH software.

In the event that CCD+ and CTX transactions cannot be initiated through this software, the State will utilize the CCD standard entry class and remittance information will be mailed under separate cover. Please indicate if the CBR and PBR transactions can be processed through this software.

Please clearly specify the abilities of your PC or Web based software.

All PC or Web software transmissions must be protected by a minimum 128-bit encryption.

Contractor Response to task:

> **Our TMC Web system is protected by 128-bit encryption.**
>
> **The State currently has access to Comerica TMC Desktop which is a PC-based Windows application offered in a stand alone or LAN environment for back up purposes. This Treasury Management tool is a message based system which facilitates the flow of inbound and outbound information between the State and Comerica. MicroPay, the payment module of Comerica TMC Desktop, originates ACH as well as wire payments. This powerful module allows for the creation of repetitive templates, file import from other data sources or systems, and many security options. In addition to remote approval, Comerica TMC Desktop allows for one to six individuals to be involved in the payment approval process. Comerica TMC Desktop provides for automatic dial up within the administration module, RSA encryption, and user defined restrictions. Comerica TMC Desktop will perform well within the State's PC hardware configuration. Comerica is in the process of upgrading our equipment for the encryption enhancements targeted for 2007.**

Clarification Dated January 4, 2007
Can CBR and PBR transactions be processed through TMC Desktop and Web system (section 1.104.9.a, page 20)?

Comerica's Response:

Yes, cross border transactions can be processed through both systems

b. Other Means. Other means to generate payments, such as wire transfers, will be outside of the scope of this CONTRACT (see section 1.102.4).

For example: The State could utilize wire transfer services through its concentration bank to issue critical payments.

Contractor Response to task:

> **Comerica TMC Desktop will accommodate all ACH SEC codes. This product will not only accommodate the ACH origination and reporting requirements, but will function as the electronic cash management software required to view daily bank statements, adjustments and will provide the required BAI 2 report.**

File Acknowledgment

a. The following chart depicts the anticipated flow of acknowledgments between the State and the Contractor to confirm receipt of FEDI documents. Contractors should confirm this flow or describe any variations they anticipate.

State Generated Transaction Sets	Contractor Acknowledgment
820	**824, 997**
831	**824, 997**
829	**824, 997**
Contractor Generated Transaction Sets	State Acknowledgment
827	**824,997**
824	**997**

Contractor Response to task:

This process is currently in place for the State at Comerica.

      b.   The 824 acknowledgment from the Contractor should contain all details for successful payments and those that failed the Contractor's edits.

Contractor Response to task:

Comerica accommodates the State's preference to acknowledge Comerica's 824 with a 997. However, the required Customer Service support to escalate a missing 997 immediately will not be met on holidays and weekends, or regular banking business days until 8:30 a.m. Although transmission support is available 7 days a week, 24 hours a day through the Information Services support line, Customer Service support is available Monday through Friday from 8:30 a.m. to 5:00 p.m. Eastern Time. Under the same conditions, Comerica currently supports the State's preference to use the 997 to confirm the 827. As an alternative, we recommend the use of a daily file to affirmatively acknowledge successful processing regardless of the result (activity vs. no activity). This file will serve to affirm that Comerica has completed processing and provided the required file to the State.

      c.   In case of line failures or system problems that cannot be resolved by a set deadline, the back up process to transmit acknowledgment information between the State and Contractor will be by fax. Treasury will designate authorized signatures for this purpose. This method will only be used as a last resort. Timeframes and deadlines to be determined during implementation planning.

Contractor Response to task:

This process in currently in place for the State today.

11.   **Hardware/Software**

      a.   <u>ACH Payments</u>

           1.   <u>Communication Hardware</u>
                All data transferred to and from MAIN systems will be through a secure connection. The Contractor is responsible for:

a.   Arranging for installation of all telecommunication lines required for the secure connection. Currently 56k dedicated leased lines are used. The Contractor is responsible for all costs associated with installing and maintaining the line. A VPN connection configured following State requirements may be required at the option of the State. All telecommunications provisioning must meet State requirements and standards.

b.   Provide access to appropriate building and telcom facilities (i.e. telco, patch panels).

c.   Providing 6 Cylink (Safenet) black box encryption devices.

d.   Providing raised floor space, power, and rack for the network components that support the secure connection.

e.   Providing operations staff that can visually verify equipment status and perform/activate minor resets and activate menu option features with direction from the State.

f.   Provide connectivity from the secure connection termination point to the Contractor's FEDI infrastructure.

Contractor Response to task:

> **Comerica would prefer that these transmissions be IP based. The following transmission systems could be used. Connect: Direct - can be used via a dedicated line or VPN/Tunnel. FTP - using a dedicated line or VPN/Tunnel or Comerica Data Vault.**

Clarifications Dated January 4, 2007

Clarify/identify the back-up solution (redundancy) for IP based solutions (sections 1.104.11 and 1.104.16, pages 22 and 36) and VPN solution if the State requires this connection.

Comerica's Response:

> **Any of the following that isn't used as a primary solution can be used as a backup. Direct-can be used via a dedicated line or VPN/ Tunnel. FTP-using a dedicated line or VPN/Tunnel or Comerica Data Vault.**

Is the cost of a VPN connection configured following State requirements built into the transaction cost, if necessary (sections 1.104.11.a.1.a, 11.b.1.a and 11.b.1.b, pages 22 and 25)?

Comerica's Response:

> **No**

2.   Electronic Mailboxes

a.   The State's and Contractor's electronic mailboxes will have 24-hour availability, security, automatic notification, and reporting. Periodic maintenance will be performed according to a mutually agreed schedule.

b.   The electronic mailboxes will be the single control point for MAIN to communicate with the Contractor.

c.   The State must be able to send and receive files to the electronic mailboxes independent of the Contractor's batch processing window.

d.   The State will deliver and pick up files from the Contractor.

Contractor Response to task:

> **Comerica would prefer that these transmissions be IP based. The following transmission systems could be used. Connect: Direct - can be used via a dedicated line or VPN/Tunnel. FTP - using a dedicated line or VPN/Tunnel or Comerica Data Vault.**

3.   PC Hardware

The minimum Treasury configuration for PC's available for PC or Web Based Bank software applications is:

a.   Computers. Business Class GX620 Desktop, 3.4 GHz P4 800 FSB, 128 MB Shared internal Graphics, Business Sound, Internal 10/100/1000 NIC, 2 MB Cache, USB Mouse, USB Keyboard, 1 Gig Non-ECC DDR2 (2 modules), No Floppy, 128 MB USB Memory Key, DVD+/-RW, 80GB HD, Serial ATA, WIN XP, 17 Flat Panel Monitor

b.   Internet –enabled using MS Internet Explorer 6.0, 128-bit cipher strength.

c.   Printers. Various models of Hewlett-Packard LaserJet

Contractor Response to task:

> **Comerica TMC Desktop is utilized today with the State and performs well within this configuration.**

4.   Encryption
A minimum of 128 bit encryption will be required to comply with DIT Policy 1315.10 located at http://www.michigan.gov/dmb/0,1607,7-150-9131_9347---,00.html

a.   Hardware Encryption. The data will be encrypted before transmission. The State currently uses hardware encryption. The type of encryption will be determined at implementation.

b.   Encryption Standard. The most secure and economical encryption standard will be used. Please specify what is currently typically used to secure transmissions. Please specify the advantages this type of encryption has over competing solutions. The exact product will be finalized during Contract negotiation. Bid pricing will be based on existing hardware encryption.

Contractor Response to task:

> **Comerica supports hardware encryption requirement for the State today with the Racal DC2K-S3V1 link encryptor in accordance with Comerica's network recommendation of a dedicated line with a switched 56 kb. Using the automatic switched line configuration will allow a single box to perform the required encryption for the primary line as well as the back up.**

b. ACH Revenue Programs

1.   Communication Hardware

All data transferred to and from ACH Revenue systems will be through a secure connection. The Contractor is responsible for arranging for installation of all telecommunication lines and all costs for installation, hardware, and ongoing monthly or annual charges. All telecommunications provisioning must meet State requirements and standards.

a.   Dedicated Leased Line. This connection will be a 56k point-to-point dedicated leased line between the State's TANDEM Data Exchange Gateway (Dimondale, Michigan) and the Contractor bank. A VPN connection may be required at the option of the State (see section 1.103).

b.   Backup. The line will have a second point-to-point dedicated leased line as backup and be a 56k connection. An automated switch will be used to move the connection from the primary to the back up line in cases of line failure. A VPN connection configured following State requirements may be required at the option of the State.

c.   Protocols. File Transfer Protocol (FTP), ASYNC, SNA LU0, TCP/IP, NDM, ISDN, Connect Direct. The State currently utilizes SNA with Connect Direct.

d.   Recoverability. If a transmission fails, data must be available for retransmission.

e.   Line Needs. Please indicate if, from the Contractor's perspective, a line with a higher capacity than 56k (such as a Virtual Private Network) is required to meet transmission timeframes. Currently we use a 56k dedicated leased line. Please indicate if this appears to be sufficient given our volumes, sensitivity of data, and timeframes.

Contractor Response to task:

Comerica would prefer that these transmissions be IP based. The following transmission systems could be used. Connect: Direct - can be used via a dedicated line or VPN/Tunnel. FTP - using a dedicated line or VPN/Tunnel or Comerica Data Vault.

2.   Electronic Mailboxes

a.   The State and Contractor's electronic mailboxes will have 24-hour availability, security, automatic notification, and reporting. Periodic maintenance will be performed according to a mutually agreed schedule.

b.   The electronic mailboxes will be the single control point for the ACH Revenue Programs to communicate with the Contractor.

c.   The State must be able to send and receive files to the electronic mailboxes independent of the Contractor's batch processing window.

d.   The State will deliver files to the Contractor's mailbox and the Contractor will deliver files to the appropriate mailbox for each of the ACH Revenue Programs.

Contractor Response to task:

Comerica would prefer that these transmissions be IP based. The following transmission systems could be used. Connect: Direct - can be used via a dedicated line or VPN/Tunnel. FTP - using a dedicated line or VPN/Tunnel or Comerica Data Vault.

3.   PC Hardware

The minimum Treasury configuration for PC's available for PC or Web Based Bank software applications is:

a.   Computers. Business Class GX620 Desktop, 3.4 GHz P4 800 FSB, 128 MB
Shared internal Graphics, Business Sound, Internal 10/100/1000 NIC, 2 MB
Cache, USB Mouse, USB Keyboard, 1 Gig Non-ECC DDR2 (2 modules), No
Floppy, 128 MB USB Memory Key, DVD+/-RW, 80GB HD, Serial ATA, WIN XP,
17 Flat Panel Monitor

b.   Internet –enabled using MS Internet Explorer 6.0, 128-bit cipher strength.

c.   Printers. Various models of Hewlett-Packard LaserJet.

Contractor Response to task:

Comerica TMC Desktop performs well within this configuration.

4.   Encryption

Point-to-point dedicated leased lines are currently used and encryption is not utilized. The
Contractor is responsible for all costs for providing encryption for these transmissions. A
VPN connection configured to meet State requirements may be required at the option of
the State.

Contractor Response to task:

**Comerica supports hardware encryption requirement today for the State with
the Racal DC2K-S3V1 link encryptor in accordance with Comerica's network
recommendation of a dedicated line with a switched 56 kb. Using the automatic
switched line configuration will allow a single box to perform the required
encryption for the primary line as well as the back up.**

12.   **Security, Audit, and Quality Control**

a.   Fraud Controls. All necessary security to guard against fraudulent access, fraudulent creation,
and fraudulent receipt of the State's files or items on files must be included in the processing.

Contractor Response to task:

**Security to guard against fraudulent access, fraudulent creation, and fraudulent
receipt of the State's files or items on files will be accomplished through Top
Secret Security, User IDs and passwords.**

b.   Security Goals. The security utilized should accomplish the following:

1.   Verification that the entity on the other end of the communication link is really the
intended recipient of a transmission.
2.   Undeniable proof of origin of transmitted data.
3.   Validation that information has not been tampered with during transmission.
4.   Assurance that data remains private during transmission.

Contractor Response to task:

**The security goals within this section are accomplished through the use of Data
Encryption Keys, Key Encryption Keys, and Racal's certificates. Another
security feature allows the units to randomly vary the time between key
exchange or to designate a specific time and date for the exchange. These
parameters will be defined and configured to meet the State's security policy
decision**.

c. Encryption. The State will utilize encryption to safeguard the transmission of payment data to and from the Contractor. Currently only the ACH Payment transmissions are encrypted using hardware encryption. ACH Revenue transmissions will also require encryption. The details will be finalized during Contract negotiation.

Contractor Response to task:

> **Comerica will work with the State to work on encryption enhancements.**

d. Other Security Issues. Firewall security, user IDs, and passwords will be used to protect the data transfer from unauthorized access.

Contractor Response to task:

> **Comerica agrees with the security levels above. VPN solution would include Firewall Security.**

e. Mailbox Authorization. The State of Michigan, MAIN, needs to be authorized to send and pick up files from the Contractor mailbox.

Contractor Response to task:

> **Comerica is preauthorized to send to and receive files from the State's FEDI electronic mailboxes.**

f. Mailbox Security The electronic mailboxes of the Contractor will have 24-hour availability, security, automatic notification, and reporting. The electronic mailboxes will allow the State of Michigan to send and receive files independent of each other's batch processing windows.

Contractor Response to task:

> **The electronic mailboxes of both the State and Comerica currently have 24 hour availability, security, automatic notification, and reporting. The electronic mailboxes are supported time shifts so that the State and Comerica can send and receive files independent of each other's batch processing windows.**

g. SAS 70. The Contractor will supply the most current version of any applicable SAS 70 audit report. An annual SAS 70, Type II is required to be provided to the Contract Compliance Inspector within 30 days of completion of the audit report. The State reserves the right to perform additional testing.

Contractor Response to task:

> **Please see Exhibit 2 of proposal dated November 16, 2006 (Corporate Information Security Program).**

Clarification Dated January 4, 2007

Comerica did not provide a SAS 70 in the proposal (section 1.104.12.g, page 27). Will Comerica obtain an annual SAS 70?

Comerica's Response:

> **Comerica currently does not plan on having a SAS70 review conducted for ACH operations. The receipt and processing of ACH files is standardized by NACHA and requires an annual audit of operations. Comerica fully complies with all NACHA rules. Although Comerica facilitates the processing of the ACH transactions the Bank's client is responsible for ensuring the proper transactions are posted to their depository account. ACH operations complies with Comerica's overall information securities program.**

h.   Internal Audits. It is expected that the bank's Internal Auditor or other auditors will perform annual audits of the bank's ACH and FEDI processes as required by National Automated Clearing House Association Rules. The Contractor must submit the most current audit report or certification that the audit has been performed and the

i.   Contractor is in compliance. The reports or certification must be provided to the Contract Compliance Inspector annually.

Contractor Response to task:

> **Comerica will be prepared to submit the most current audit reports or statements related to these processes within a reasonable time frame.**

i.   Quality Control. The Contractor is expected to have a Quality Control process in place. Describe your Quality Control process and bank performance reviews of the FEDI/ACH services and the use of Bank Administration Institute (BAI) Quality Indicators for FEDI.

Contractor Response to task:

> **Comerica is a founding member of the BAI Quality Council. BAI standards are used as base performance standards and are incorporated into the internal quality measurements that are reported and reviewed monthly by Senior Management. Comerica also participates in BAI banking surveys that allow us to analyze our performance against peer banks.**
>
> **Comerica is very serious about quality. As further evidence of this, the individuals charged with administering our quality program throughout the organization report directly to the Chairman. The business purpose of the Quality Process Department is to function as a catalyst to promote continuous Quality process improvement throughout the Corporation and to act as a facilitator for:**
> - **Building awareness of Quality as an increasingly important element in customer focused relationships and customer service.**
> - **Establishing benchmarks for the Quality learning process and refining customer focused performance measures.**
> - **Understanding the requirements of Quality excellence.**
> - **Sharing Quality strategies and benefits derived from the implementation of these strategies.**
> - **Identifying and resolving recurring system, procedural, and service area issues.**

j.   Security Threat Matrix. The Contractor will provide a comprehensive Security Threat Matrix to the Contract Compliance Inspector within 90 days of Contract award. Because the fulfillment of this requirement may reveal proprietary information of the Contractor, the Matrix is not required at the time of bidding.

Contractor Response to task:

> **Contractor will work with the State to provide information needed for this matrix.**

13.   **Confidentiality** (Also see section 2.150)

  a.   <u>Confidentiality of Data and Information</u>. All tax payment information is confidential. All of the payments that are originated through this CONTRACT and resulting Contracts are considered confidential. The Contractor may not release any information related to the State's payments or inappropriately utilize information gleaned from the State's payment files.

Contractor Response to task:

> **Comerica Bank agrees to keep information regarding the State's payments confidential, as set forth in Comerica's Treasury Management Master Services Agreement and Business and Personal Deposit Account Contract, included in CONTRACT Response Binder, except to the extent necessary to complete the State's transaction or as required by law.**

Clarification Dated January 4, 2007
> Comerica agrees to keep information regarding State's payments confidential as set forth in Comerica's Treasury Management Master Services Agreement and Personnel Deposit Account Contract included in the RFP Response Binder (section 1.104.13.a, page 29). Where are these documents in the Binder/proposal? Are there additional terms Comerica is proposing to the Contract?

Comerica's Response:

> **We supplied this to you back in 2000 when services were implemented. We are not proposing any additional terms.**

  b.   <u>Confidentiality Statements</u>. The Contractor will be bound by the same standards of confidentiality as State employees. The Contractor may not release any products or portions of products resulting from the Contract without approval of the Contract Compliance Inspector. Contractor, sub-Contractors, and staff will be required to sign a tax confidentiality statement. See Appendix O for sample Confidentiality Agreement.

Contractor Response to task:

> **Comerica Bank agrees to keep information regarding the State's payments confidential, as set forth in Comerica's Treasury Management Master Services Agreement and Business and Personal Deposit Account Contract, included in the CONTRACT Response Binder, except to the extent necessary to complete the State's transaction or as required by law.**

Clarification Dated January 4, 2007
> Will Comerica comply with Confidentiality Statement requirements (section 1.104.13.b, page 29)?

Comerica's Response:

> **Yes**

  c.   <u>ACH Operator</u>. Contractor(s) must designate the ACH Operator they expect to use. The Contractor must maintain the confidentiality of data up through the point of being transmitted to the ACH Operator. In addition, Returns, NOCs, or other information that is received from the ACH Operator or other parties is considered confidential.

Contractor Response to task:

> **The ACH Processor is Electronic Payment Network. Comerica Bank agrees to keep information regarding the State's payments confidential, as set forth in Comerica's Treasury Management Master Services Agreement and Business and Personal Deposit Account Contract, included in the CONTRACT Response Binder, except to the extent necessary to complete the State's transaction or as required by law. Comerica requires all employees to follow the guideline in our code of ethics handbook.**

d.   <u>Confidentiality of Information</u>. The Contractor must provide confidentiality controls for all records to ensure that no leakage or inappropriate disclosure of confidential or sensitive information occurs. The Contractor must agree not to disclose, sell, or use any information contained on transactions, documents or reports furnished by State of Michigan in connection with this program. Destruction of materials used in the completion of this Contract must be handled as confidential shred and destroyed in accordance with State of Michigan policies and procedures identified below:

     * Confidential or sensitive information will be destroyed by burning, mulching, pulverizing, or criss-cross shredding. If shredded, strips should not be more than 5/16th inch, microfilm should be shredded to affect a 1/35th inch strip, and pulping should reduce material to particles of one (1) inch or smaller.

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

Contractor Response to task:

Please see Exhibit 2 of proposal dated November 16, 2006 for our Corporate Information Security Program.

Clarifications Dated January 4, 2007

Will confidential/sensitive information be destroyed by burning, mulching, pulverizing, or criss-cross shredding (section 1.104.13.d, page 30)?

Comerica's Response:

Paper is destroyed by pulverization with two inch-hole screens,

If confidential/sensitive information is shredded, strips should be not more than 5/16th inch, microfilm should be shredded to effect a 1/35th inch strip, and pulping should reduce material to particles of one inch or smaller (section 1.104.13.d, page 30). Please confirm

Comerica's Response:

Paper is destroyed by pulverization with two inch-hole screens. Micro- film, discs, diskettes and tape media are destroyed using a granulator that reduces partials no larger than 1 inch.

Will Comerica comply with the requirement of not disclosing, selling or using any information contained on transactions, documents or reports furnished by the State (section 1.104.13.d, page 30)?

Comerica's Response:

Our standards are not to disclose, sell or use any information contained on transactions, documents or reports furnished by the State.

Will Comerica comply with the requirement for destroying disk or tape media (section 1.104.13.d, page 30)?

Comerica's Response:

Micro- film, discs, diskettes and tape media are destroyed using a granulator that reduces partials no larger than 1 inch.

e. Mobile Devices. Storage of confidential information on mobile devices should be controlled by management. Any use of these types of devices must be pre-approved by the Contract Compliance Inspector prior to use by Contractors. Mobile devices include tapes, diskettes, CDs, DVDs, Universal Serial Bus (USB) data storage devices, Personal Digital Assistants (PDAs), and the Contractors' personal computers. For disposal of this media Contractors must comply with Department of Information Technology (DIT) Procedure 1350.90 issued 4/30/06 titled, "Secure Disposal of Installed and Removable Digital Media". A copy of this procedure can be accessed at the following URL:
http://michigan.gov/documents/Policy_1350_157496_7.90_media_disposal_Final_PDF.pdf

Contractor Response to task:

> **Please see Exhibit 2 of proposal dated November 16, 2006 for our Corporate Information Security Program.**

Clarification Dated January 4, 2007
Will Comerica comply with the requirement for storage of confidential information on mobile devices (section 1.104.13.e, page 30)?

Comerica's Response:

> **Comerica has the capabilities of encrypting stored confidential information on mobile devices using encryptions using 128 bit encryption software.**
> **The hardware is destroyed using industry standards (department of defense)**

f. Disclosure Training. Optional disclosure training is offered to Contractors and sub-Contractors to assist individuals understand how to apply the safeguards for tax data agreed to when they sign the Confidentiality Agreement (Appendix O). A class is offered every month for two (2) hours at the State Operations Center in Dimondale, Michigan for non-Treasury employees. A train-the-trainer course is also available for one (1) or two (2) of the Contractors employees that will take the training back to the Contractor's place of business.

Contractor Response to task:

> **Please see Exhibit 2 of proposal dated November 16, 2006 for our Corporate Information Security Program**.

14. **Implementation, Testing and Training**

a. Implementation

The tentative Contract start date of February 7, 2007 takes into account a 9-month transitional implementation period (February 7, 2007 – November 6, 2007). The Contractor will be expected to present a detailed implementation (Work Plan) plan in Article 1, Attachment D. The plan should contain a timeline that lists pertinent information such as:

1. Team. Identify implementation team.
2. Goals and Strategy. Review goals and overall strategy.
3. Responsibilities/Functions. Define areas of responsibility and steps to be completed, such as review of file format, security, platform, communications, acknowledgements, scheduling, funding procedures, returned items, tracers, operating procedures, reports, etc.
4. Assignments. Assign areas of responsibility and steps to be completed.
5. Testing Time Frame. Specify the testing time frame. The State plans for testing to begin approximately May 15, 2007.

6.   Production Date. Planned live processing date is no later than November 6, 2007.
7.   PC or Web Based Software. Installation of PC or Web based software.
8.   Training. Identify and describe training requirements and timeframes.
9.   Telecommunication Lines. Provide a detailed plan for timely installation of the telecommunication lines. Lines must be installed and available by April 15, 2007.
10.   Other.   Any other implementation issues that need to be addressed by either the Contractor or the State.

Contractor Response to task:

> **Comerica is the current provider for the State on this service; we would not anticipate that an implementation plan would be necessary. If the State of Michigan request changes to the current process, Comerica would work with the State and provide an implementation plan.**

b.   Testing (Also see Section 2.083)

1.   Test Environment. The Contractor must utilize a test environment that is separate from the production environment.

2.   Test Plan. The Contractor will submit a test plan that encompasses all processes and systems. The test plan will include all known scenarios that could occur for the various file formats and processes.

3.   Testing Sign-off. All lines, equipment, and file formats utilized must be properly tested and accepted by the Contractor, MAIN, ACH Revenue Programs, and Treasury prior to using live data transmissions. This includes PC or Web based software. The Contract Compliance Inspector requires signature sign-off from the Contractor, MAIN, and all three (3) ACH Revenue Programs.

4.   State Test Plan. The State may develop its own test plan to supplement the Contractor's plan.

5.   Contractor Changes and Modifications – Testing Required. All changes or modifications that the Contractor makes prior to original implementation or subsequent to original implementation are to be fully tested before actual use in production. This includes any changes or modifications the Contractor makes internally that may impact Treasury, MAIN FEDI, or ACH Revenue Program processes. The Contractor shall notify MAIN and the ACH Revenue Programs at least 14 days prior to making changes or modifications available for testing.

6.   State Modifications and Testing. The State will test changes made to its system(s) that affect FEDI/ACH processing with the Contractor prior to implementation.

State system changes may require additional post implementation testing. Please specify how much notice the Contractor requires.

Contractor Response to task:

> **The EDI and PEP+ applications have test environments that are separate and distinct from the production environment. Comerica practices a disciplined Change Control process, which requires complete documentation, approved scheduling, and sign off. Each application group is assigned a designated day of the week to move changes into production, and is required to closely monitor program modifications until they have been proven successful in daily production.**
>
> **Tasks related to testing have been clearly identified within the work plan and are associated with the appropriate transaction set or system function.**

<u>**Clarifications Dated January 4, 2007**</u>

Comerica tasks related to testing being clearly identified in the work plan (section 1.104.14.b, page 32).
Identify where the work plan is in the proposal.

Comerica's Response:

> **The only testing that may be needed would be if additional services are required. I have attached a work plan for the additional services for encrypting ACH transmission.**

Will Comerica notify MAIN and the ACH Revenue Programs fourteen (14) days prior to making changes or modifications available for testing (section 1.104.14.b.5, page 32)?

Comerica's Response:

> **Yes**

How much notice is required by Comerica for State system changes that may require additional post implementation testing (section 1.104.14.b.6, page 32)?

Comerica's Response:

> **14 days will be required**

c.   <u>Training</u>

1.   <u>PC or Web Based Software Training.</u> The Contractor will be expected to supply all training and materials necessary to operate the Contractor's PC or Web based ACH software. At the option of the State, the training will take place onsite at State locations specified during implementation. The Contractor can expect to train approximately 15 employees.

2.   <u>Other Training</u>. The Contractor should identify and describe any training that is available and may be required by the State.

Contractor Response to task:

> **Training for Comerica Desktop (aka Gateway) and Intellect systems has already taken place between Comerica and the State. Comerica will provide consulting services and application development support throughout the course of the project.**

15.   **Customer Support and Maintenance**

a.   <u>Support and Maintenance</u>. Support and maintenance shall consist of correction of errors, provisions for modifications, upgrades to PC or Web software, and any other improvements and revisions that the Contractor may develop. For the purpose of this paragraph, an error is defined as a failure to credit payments to the Receiver or debit revenue from the Receiver on the settlement date because of Contractor error. Support and Maintenance also covers day-to-day processing and bank account administration issues.

Contractor Response to task:

> **Comerica's investment in our Customer Service infrastructure (SSTAR) has created a most efficient and responsive environment for quality customer service. As necessary, errors will be reported to the State's TMA, logged into SSTAR, and tracked through the successful resolution of the issue. This procedure will be executed for processing errors as well as bank account administration issues.**

> **Provisions for modifications to mainframe processing are routed as a request through the TMA and scheduled as appropriate with Information Services. Upgrades to Comerica TMC Desktop are made available to the entire customer base as they are released. In addition, training and consulting services for custom development of Comerica TMC Desktop application are available under separate Contract.**

b.   Changes. Before implementing any Contractor processing changes, the Contractor shall inform the Contract Compliance Inspector and MAIN of the changes as well as the potential impact to the FEDI/ACH processes for Treasury, MAIN, and ACH Revenue Programs. Treasury, MAIN, ACH Revenue Programs, and the Contractor will mutually agree upon the implementation date. The Contractor shall notify Treasury, MAIN and the ACH Revenue Programs at least 14 days prior to making changes or modifications available for testing.

Contractor Response to task:

> **Comerica practices a disciplined Change Control methodology and will communicate with the State before significant processing changes are made.**

c.   Contractor Support.

1.   The Contractor must provide a contact person(s) familiar with the business and technical aspects of the FEDI/ACH process. Please identify the contact person.

2.   The contact person(s) will assist MAIN, Treasury, and ACH Revenue Programs with the development and maintenance of the FEDI/ACH system in a manner that will meet the State's satisfaction.

3.   The contacts are to be available between 7:30 a.m. ET and 6:00 p.m. ET, Monday through Friday, except State holidays. Live production operational support is required 24/7.

4.   Response time to technical or other problems that occur in the operation of the system are expected to be within 30 minutes after Treasury, MAIN, or ACH Revenue Program staffs have contacted the Contractor.

5.   Describe problem resolution procedures for technical transmission issues, tracers and other business issues.

Contractor Response to task:

> **Comerica has a strong customer service focus demonstrated by the two levels of support that we currently provided to the State.**
>
> **Dedicated Customer Service**
> **The State of Michigan has a dedicated Treasury Management Administrator (TMA). As officers of the bank, Comerica's Treasury Management Administrators receive extensive training on all aspects of bank operations, including EDI. Each TMA is supported by a team member of the same level, and further by a department of customer service representatives who are available Monday through Friday from 8:30 a.m. to 5:00 p.m. Eastern Time.**

Laura Dutton, whom the state currently works with, is extremely familiar with the operating business of the State as well as the specific terms of this program since 2000 when we implemented this service. Jerry Burley will serve as Laura's back up.

Technical Support

The second level of support is the technical support, which will consist of transmission and daily production support. This support is provided today for the State through the Information Services support line and is available 7 days a week, 24 hours a day.

Problem Resolution Procedures

Business issues and tracer requests follow the SSTAR process outlined above. Issues that require attention beyond the SSTAR environment, such as transmission and technical issues are escalated to the Problem Management Process administered by the Information Services (I.S.) group. Generally, problems are escalated to I.S. by the operating area supporting the application.

The problem is called into a hot line, logged into a tracking system (Peregrine Service Center), and assigned a ticket number and severity level.

The problem is then routed to the Assignment Group responsible for the application.

The Assignment Group works the problem, logs the resolution, and closes the problem ticket.

Although this is a significantly abbreviated version of the procedure, it is rooted in a highly structured and disciplined system to analyze recurring problems, provide for uniform severity assignment, garner management support when necessary, and track performance. The Problem and Change Management processes have the highest level of support from the senior management of the Information Services group.

Clarification Dated January 4, 2007

> Will Comerica respond to technical or other problems that occur in system operation within one half hour (30 minutes [section 1.104.15.c.4, page 35])?

Comerica's Response:

Yes

16.   **Contingency Planning and Disaster Recovery** (Also see Section 2.203)

The Contractor is expected to maintain adequate back up procedures in case of system failures. The Contractor's back up and recovery provisions should include:

a.   Daily back ups of files and systems
b.   Backup communications solutions
c.   Written and tested recovery procedures
d.   Safe/secure storage of back up media
e.   Disaster recovery plans and hot site. The location (City and State) of the Contractor's hot site must be stated in the bid response.

  f. Regular testing of the backup hot site
  g. Redundant hardware

Please specify whether back up files are stored on Contractor site or with a subcontractor. If with a subcontractor, identify the subcontractor and storage medium used.

Contractor Response to task:

> **Our disaster recovery plan was developed and is managed by our Corporate Continuity and Recovery Management Department. Our national distribution of data centers provides disaster recovery protection that many regional banks cannot match. All banking applications operate on five mainframes located in five different data centers; two in Michigan, two in California, and one in Texas. There is also a disaster recovery "hot site" in Philadelphia, Pennsylvania. Each system is backed up on a regular schedule. Further, our systems are designed for each data center to back up another. This means that if one data center were ever out of operation, another data center would take its place. If that were not possible, then the hot site would be activated.**
>
> **ACH production and warehouses are backed up daily as part of an end-of-day processing routine. Files are stored both on-site and at an off-site location. In the event of a system failure, the complete ACH environment would be recreated by restoring the data at a remote disaster recovery site, which could be either at our secondary operations center or at our designated hot-site.**

Clarification Dated January 4, 2007

How are the daily file backups stored at the offsite facility (i.e. logistics, security, etc. [section 1.104.16, page 37])?

Comerica's Response:

> **The ACH production and warehouse data are backed up to offsite tapes which are sent to our trusted safeguarding vendor. This is a secured facility which has limited access and houses all of Comerica's critical data used to restore its systems and applications. The tapes are shipped daily in sealed cases that remain sealed until they are returned to Comerica.**

17. **General**

  a. <u>On-Us Entries</u>

    1. In the case of an On-Us Entry received for credit or debit to an account maintained with the Contractor, the Contractor shall credit or debit the Receiver's account in the amount of such Entry on the Effective Entry Date contained in such Entry.

    2. All reporting, as specified in this CONTRACT, must include the On-Us Entries.

    3. Returned Entries, NOCs, Adjustments, etc. will be processed under the same time constraints and general requirements as Non-On-Us Entries, unless specified otherwise.

    4. On-Us Returns and NOCs cannot be received from the Contractor prior to settlement date.

Contractor Response to task:

> **We currently process in accordance with the States requirements for On-us entries.**

b.   Authorized Transactions. The Contractor shall reject any Entry which does not comply with the type of transactions authorized by this CONTRACT, the specified formats, or that is not in compliance with specified security, or which contains an Effective Entry Date more than five calendar days after the business day such Entry is received by the Contractor.

Contractor Response to task:

Comerica will edit for unauthorized FEDI transaction sets, transactions in excess of the specified maximum dollar amount, and security violations such as an unencrypted file. Comerica cannot edit for unauthorized SEC codes. Comerica cannot reject future dated transactions.

c.   Data Retention

1.   State Retention. For State payments, it is anticipated MAIN and ACH Revenue Programs will be capable of providing up to 15 working days of recoverable transmissions to and from the Contractor. This data shall be provided to the Contractor upon request.

2.   Duplicate Files. The Contractor will maintain adequate controls to ensure that if substitute files (from Section 1.104.17.C.1 above) are requested, no duplicate transactions are transmitted to the ACH Operator. The Contractor shall also have edits in place to identify duplicate files received from the State.

3.   Contractor Retention. The Contractor shall retain 15 working days of recoverable MAIN files.   This data shall be provided to MAIN upon request by the authorized MAIN contact. The Contractor shall also retain recoverable transmissions to the ACH Revenue Programs for 15 working days.

Contractor Response to task:

Comerica offers a duplicate file edit on the file sequence number, which will satisfy the conditional risk of the substitute file. Other file edits available to identify a duplicate include character count, dollar amount, number of transactions, and application batch number. The duplicate file parameter is defined at a customer level and can be one, all, or any combination of the elements listed above. Comerica retains 15 working days of recoverable transmissions for the State today.

d.   Cancel Authorization. The State may cancel an ACH authorization from a Receiver under certain conditions, as appropriate.

Contractor Response to task:

Comerica acknowledges the State's cancel authorization.

e.   Authorization Form Retention. The State will retain the Authorization Forms from the Receivers. These forms are available to the Contractor as required under the NACHA Rules. The Contractor shall contact the Contract Compliance Inspector or designee for copies of these forms. In accordance with NACHA rules, authorization forms will be retained for at least two (2) years after termination of the EFT authorization by the Receiver or the State.

Contractor Response to task:

Comerica currently contacts the State when necessary for copies of the Authorization Forms.

f. State Authorized Contacts. The Contract Compliance Inspector will provide the Contractor with a letter indicating the names of Authorized Representatives from the State that may transmit Entries through the manual PC or Web process or make phone inquiries. Treasury may add or delete any Authorized Representative by written notice to the Contractor signed by the Contract Compliance Inspector. Such notices will be effective on the second business day following the day of the Contractor's receipt thereof.

Contractor Response to task:

Comerica currently honors only those transmissions or phone inquiries received by the State's authorized contacts.

g. Bank Account Structure. The current bank account structure at the existing ODFI consists of a Master Zero Balance Account (ZBA) and 5 Sub ZBAs. The 5 Sub ZBAs are for the three (3) ACH Revenue Programs (MLCC, DNR Retail Sales, Treasury Collection) and one (1) account for the ACH Payment Program, and one account for Bank PC or Web Software Originated Entries. The State may opt to open a separate Sub ZBA account for the Contractor ACH Payment Program to separate these transactions from the Payroll, Retirement, and Income Tax Refund transactions. The 5 or 6 Sub ZBAs will roll up to the Master ZBA and the account balance exceeding the compensating balance will be transferred to the State's concentration bank daily.

Contractor Response to task:

Comerica Bank agrees to the above structure.

h. Other Tasks. The Contractor should indicate any other tasks they feel are required to successfully implement this Contract.

Contractor Response to task:

Comerica Bank has no other tasks for the State.

18. **Banking Statutes**

a. Principal or Branch Office. Current law MCL 487.714 requires that the principal office or a branch office of the financial institution, which will be utilized as a depository for the State funds, must be located in the State of Michigan (See Appendix A).

Contractor Response to task:

Comerica Incorporated is a $54 billion bank holding company headquartered in Detroit, Michigan. Based on our asset size, we are the largest Michigan based bank and among the top 20 bank holding companies in the country.

b. Fifty Percent of Net Worth. The Constitution, Article 9, Section 20, and limits the amount of State money deposited in any bank to 50% of the net worth of such bank (See Appendix B).

Contractor Response to task:

Comerica Incorporated is a $54 billion bank holding company.

c. Collateral. Current law also requires collateral to cover all monies in the bank accounts. Treasury policy requires collateral of two (2) times the compensating balance less the $100,000.00 FDIC insurance (See Appendix D for BT10001 Bulletin, Deposits of State Funds and Collateral Requirements).

Contractor Response to task:

Comerica Bank does adhere to Treasury policy requiring collateral of two (2) times the compensating balance less the $100,000.00 FDIC insurance.

Damage Provisions

a.   Contractor Errors. The Contractor is liable to the State for the Contractor's errors or delays that are not a result of the State's errors or delays, acts of God, or in the opinion of the Contract Compliance Inspector is beyond the control of the Contractor.

Contractor Response to task:

> **Comerica Bank disagrees. Comerica agrees to be liable for actual provable damages caused by Comerica's gross negligence or willful misconduct. If Contractor and State are not able to agree as to fault, the dispute resolution provisions of this Contract will apply.**

b.   Timely Processing of Files. The Contractor is also responsible for ensuring that files are to the ACH Operator timely to meet settlement date and other processing requirements.

Contractor Response to task:

> **Timeliness of both internal and external ACH file distribution is tracked daily as a performance measurement. Comerica has consistently achieved a 100% service level every month for the past twelve past months.**

c.   Contractor Liability. See Section 2.181, Liability Insurance.

Contractor Response to task:

> **Certificates of Insurance will be provided upon reward of this CONTRACT.**

d.   Unauthorized Debits. The Contractor is also liable to Treasury if the Contractor debits Treasury's JP Morgan Chase, Michigan account, or any other accounts, for settlement of a particular transmission at a time other than as authorized by Treasury. Penalty will be equal to the loss of earnings to the Treasury as a result of the error. The Contractor is not authorized to debit JP Morgan Chase, Michigan or any other State Treasurer bank accounts.

Contractor Response to task:

> **Treasury warrants that it will not request that the Contractor initiate such a debit or authorize Contractor to originate such a debit in violation of this provision and any such request, if acted upon, shall not be deemed a breach of this provision by the Contractor.**

1.2   Roles and Responsibilities

1.201   CONTRACTOR STAFF, ROLES, AND RESPONSIBILITIES

Identify Contractor staff who will be involved, identify by name the individuals, and describe in detail their roles and responsibilities. Specify the Project Manager. If an overall organization chart has been developed, then provide a reference to that chart as well. Note any part-time personnel. Descriptions of roles should be functional and not just by title. Include an organization chart in Article 1, Attachment B.

Contractor Response to task:

> **Please see Article 1, Attachment B.**

1.202   STATE STAFF, ROLES, AND RESPONSIBILITIES

1. The Department of Treasury will oversee the statewide Contract. Brenda Vincent, is the Contract Compliance Inspector. Her role is to oversee the Contract performance on a day-to-day basis during the term of the Contract (see Section 2.015).

2. Neil Miros is the Department of Information Technology contact assigned to the Office of Financial Management (OFM), Michigan Information Administrative Network (MAIN). His role is to be the point of contact for processing problems for all FEDI/ACH payment files and will be responsible for monitoring daily operations at MAIN.

3. David Hendrix is the Department of Treasury, Receipts Processing contact for ACH Revenue. His role is to be the Treasury point of contact for processing problems and issues associated with ACH Revenue (Debits).

4. Nancy Morse is the Department of Treasury, Receipts Processing contact for ACH Payments. Her role is to be the Treasury point of contact for processing problems and issues associated with ACH Payments (Credits).

5. Contacts for each of the three (3) ACH Revenue Programs will be distributed during implementation. They will be the point of contact for processing problems with ACH Revenue files and will be responsible for monitoring their internal systems to ensure files are generated and transmitted to the Contractor as expected.

6. Department of Treasury, Bureau of Investments will approve collateral.

1.203   OTHER ROLES AND RESPONSIBILITIES

The State utilizes a computer operations center located in Boulder, Colorado to process the State's accounting transactions and generate the FEDI/ACH file and transmit it to the Contractor.

The role of Boulder Operation Center is to monitor the progress of the nightly batch cycle and to notify state staff of any failures. They also act as a communication point for any issues that arise after normal business hours.

1.3   Project Plan

1.301   PROJECT PLAN MANAGEMENT

1.   Project Control

    a.   The Contractor (ODFI) will carry out this project under the <u>direction and control</u> of the Contract Compliance Inspector.

Contractor Response to task:

> **This service is currently in place for the State at Comerica. We will work with the Contract Compliance Inspector as we have done in the past for the State.**

    b.   Within five (5) working days of the award of the Contract, the Contractor will submit a Work Plan to the <u>Department of Treasury, Receipts Processing Division,</u> Contract Compliance Inspector, for final approval. This final implementation plan must be in agreement with the Section titled Implementation, Testing and Training, and as proposed by the Contractor and accepted by the State for Contract, and must include the following:

        1.   The Contractor's project organizational structure.

2.   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.

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

4.   The time-phased plan in the form of a graphic display using MicroSoft Project, showing each event, task, and decision point in your work plan.

Contractor Response to task:

> **We are the current provider for the State. Comerica will provide all required documentation within five working days following the award of the Contract if additional services are need.**

c.   Although there will be continuous liaison with the Contractor team, the Contract Compliance Inspector or designee will, during implementation, meet bi-weekly, at a minimum, with the Contractor's project manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems that arise. The Contract Compliance Inspector will include other parties, such as MAIN, as necessary.

Contractor Response to task:

> **Comerica will agree to meet bi-weekly with the Contract Compliance Inspector if needed. Comerica currently meets with the Contract Administrator on a quarterly basis and will continue to do so**.

d.   During implementation the Contractor will submit brief written biweekly 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 Contract Compliance Inspector; and notification of any significant deviation from previously agreed-upon work plans.

Contractor Response to task:

> **Implementation of this service will not be needed. Comerica has been providing this service to the State since 2000.**

e.   Subsequent to implementation, the Contractor Team and the Contract Compliance Inspector or designee will meet quarterly, at a minimum. After implementation, Incident Reports will replace the biweekly summary reports as needed. Incidents must be resolved within 10 working days. See Appendix Q for example of Incident Report document. (See Section 1.302.f).

Contractor Response to task:

> **Implementation of this service will not be needed. Comerica has been providing this service to the State since 2000.**

Clarification Dated January 4, 2007
Will Incidents be resolved within ten (10) working days (section 1.301.1.e, page 43)?

Comerica's Response:

> **Yes**

1.302   REPORTS

<u>Reports To Contract Compliance Inspector</u>

Provide examples of all reports that are customary and generated to track processing aspects. Include report due dates for the following:

a.   **Monthly report that includes number of items and dollar amounts for**:

        a.   MAIN Contractor Payments
        b.   Payroll Payments
        c.   Retirement Payments
        d.   Income Tax Payments
        e.   MLCC Liquor Revenue
        f.   DNR Retail Sales Revenue
        g.   Treasury Collection Revenue
        h.   PC or Web Bank Software Originated Transactions

Report needs to contain the item count and dollar amount of any TEL Standard Entry Class (SEC) entries as a subtotal for any Revenue Programs utilizing this SEC. Report also needs to contain an item count for the number of addenda records sent to the Contractor for MAIN Contractor Payments.

Contractor Response to task:

All of the data elements for the required reports are currently in place for the State today.

b.   **Monthly report that includes the following for each Payment and Revenue Program:**

    1.   Number of Returns and dollar amount
    2.   Number of NOC's and dollar amount
    3.   Number of Prenotes
    4.   Number of Reversals and dollar amount
    5.   Number of Reclamations and dollar amount (Retirement Payments only)
    6.   Number of Cancellations and dollar amount

Contractor Response to task:

All of the data elements for the required reports are currently in place for the State today.

c.   **Monthly rolling 12 month volume and transaction fee report**

This report gives a rolling 12 months of volume under the Contract. It is used to determine the ACH transaction rate   for the subsequent month.

Contractor Response to task:

Populating the rolling 12 month value requires minor development. Comerica will work with the State to obtain this report.

   d.   **Reports for PC or Web based ACH Origination:**

These reports will be generated for each transmission if the State uses the bank's PC or Web software to originate ACH transactions, principally Reversals and Reclamations. However, this is not the State's preferred approach to originating these transactions.

    1.   Transmittal report
    2.   Report listing transactions for:
        a.   Reversals
        b.   Reclamations
        c.   Originations
        d.   Returns (from PC or Web generated transactions)
        e.   Notifications of Change (from PC or Web generated transactions)

Contractor Response to task:

Comerica TMC Desktop provides all of the required PC reports to the State today.

Clarification Dated January 4, 2007

TMC Desktop provides all the required PC reports to the State today (section 1.302.d, page 45). Will the Web based solution (TMC Web system) provide all the required PC reports?

Comerica's Response:

Yes

   e.   **Banking Reports:**

The State has asked for some hardcopy reports in this section. If the reports are also available on-line, please provide on-line pricing for them as well, if applicable.

    1.   Hard Copy Reports

        a.   Monthly Account Analysis Statements.
        b.   Monthly Bank Statements.

    2.   PC or Web Based Reports (on-line):

Include separate reporting for Banking Electronic Cash Management Reporting Systems for Bank Statements, etc., including:

        a.   Daily bank statement per account, Zero Balance Account, and sub Zero Balance Account.
        b.   Monthly bank statement per account, Zero Balance Account, and sub Zero Balance Account.
        c.   Other- provide examples of other reports available.

Contractor Response to task:

Monthly account analysis statements and bank statements are available by fax or Intellect (on-line viewing). PC Based Reports (on-line) – Template spreadsheets will be built and delivered to the State to meet the requirements of the PC based reporting. Using the full functionality of Comerica TMC Desktop will provide reporting for all account activity. The benefit of this solution is that the State will be able to make use of the "back up" solution on a daily basis rather than housing a system only for contingency. Comerica TMC Desktop will continue to add value even beyond the items identified within the scope of this Contract.

3. Electronic Reports – Mainframe
    ACH Payments

    Daily BAI Version 2 for electronic report for the accounts.This report must include the ability to have unique BAI type codes on the 16 records to identify returns, reversals, reclamations, and settlements.

    ACH Revenue

    Daily BAI Version 2 for electronic report for the accounts. This report must include the ability to have unique BAI type codes on the 16 records to identify returns, reversals, and settlements.

Contractor Response to task:

> **Comerica TMC Desktop provides the daily BAI version 2 file required for electronic reporting on the account. All BAI type codes are available as reported through the PEP+ application and will include returns, reversals, reclamations, and settlements.**

Clarification Dated January 4, 2007
TMC Desktop provides the daily BAI Version 2 file required for electronic reporting (section 1.302.e.3, page 46). Will the Web based solution (TMC Web system) provide the BAI Version 2 reports?

Comerica's Response:

> **Yes**

f.   **Other Reports:**

    Incident Reports

    An Incident Report is a State form used to document system problems that affect State customers or State agencies and requires attention and resolution by the Contractor. Incident Reports are assigned a unique Incident Report Number in the format of YYMMDD representing the date the incident occurred. See a copy of the Incident Report form in **Appendix Q - Incident Report**.

    a.)   Once the problem is resolved, the Contractor will document its response and action taken by completing Part 3 of the form.
    b.)   The Contractor will maintain and make available a document to summarize the status of all Incident Reports issued by the State. This "Incident Report Summary" will be in the form of a table or spreadsheet and contain relevant information such as

    c.)   Incident Report Number, Date of Incident, Summary of the Problem, Contractor response, Resolution Date, Status (Open, Closed), etc.
    d.)   The Contractor will respond to incident reports within 10 working days.

Contractor Response to Task:

> **Comerica will report any incidents via Incident Report supplied by the State.**

1.4   Project Management

1.401 ISSUE MANAGEMENT
Describe how issues will be addressed when they arise and how appropriate parties will be apprised of progress.

Contractor Response to Task:

> **Each professional throughout Treasury Management Customer Service undergoes extensive training. We provide you and your staff with superior support for general inquiries, research requests, and investigations. Our customer focus enables us to resolve the majority of issues on the first call. Issues that require further assistance are escalated to the appropriate operating group. Issues that are escalated to an operating group are reported to and monitored by senior managers. This ensures that customers always receive a timely response, even if the issue requires extra effort or involvement by our staff. We use a fully automated tracking system that records each issue and routes it to the most qualified person within our organization for resolution. This ensures that all issues are managed quickly, and that no issue will be lost or neglected. You can be confident of receiving the prompt and accurate service that you expect. Through our automated system, Treasury Management Customer Service personnel are able to monitor your issue to make sure it is resolved in a timely manner. Once we have an answer to your inquiry or request, a representative will contact you with the results. This well-defined approach simplifies research and adjustment requests for you and your staff, and the automated system provides assurance that your inquiry will not be lost or delayed.**

1.402   RISK MANAGEMENT

Risk management generally involves one (1) identification of the risk, two (2) assigning a level of priority based on the probability of occurrence and impact to the project, three (3) definition of mitigation strategies, and four (4) monitoring of risk and mitigation strategy. Risk assessment review should be conducted on a regular basis. Please describe Contractor's risk management process.

Contractor Response to Task:

> **Comerica Bank assumes various types of risk in the normal course of business. These risks are classified into five areas: 1) credit 2) market and liquidity 3) operational 4) compliance and 5) business risks. Various risk management processes are employed to identify measure, monitor and control these risks. Specialized risk managers, along with the risk management committees in credit, market and liquidity, operational and compliance are responsible for the day-to-day management of those respective risks. The Corporation's Enterprise-Wide Risk Management (EWRM) Committee is responsible for establishing the governance over the risk management process as well as providing oversight in managing the Corporation's aggregate risk position. The EWRM Committee is principally made up of the various risk managers and reports to the Enterprise Risk Committee of the Board.**

1.403   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 Division, 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 Purchasing Operations, risk non-payment for the out-of-scope/pricing products and/or services.**

1.5   Acceptance

1.501   CRITERIA

The following criteria will be used by the State to determine Acceptance of the Services and/or Deliverables provided under this SOW. Testing is completed and required sign-off is acquired.

Contractor Response to Task:

> **Comerica agrees.**

1.502   FINAL ACCEPTANCE

Final Acceptance is when testing is completed and accepted by the State per Section 1.501, and all requirements of the Contract are met.

1.6   Compensation and Payment

1.601   COMPENSATION AND PAYMENT

This CONTRACT will result in a firm, fixed price Contract. Please complete Article 1, Attachment A and submit with proposal.

1.   All payments for this Contract shall be made to the Contractor via compensating balance arrangements. The Contractor shall provide Analysis Statements for each Master ZBA and Sub ZBA account by the 15th of each month for the previous month. The monthly Account Analysis Statements shall reflect actual volumes of transactions processed and associated charges in accordance with the price proposal format in Article 1, Attachment A. of the CONTRACT and the Earnings Credit Rate calculation in Section 1.601, 6. of this CONTRACT. The invoicing account analysis structure must be consistent with the manner in which costs have been priced in the price proposal. The Contract Compliance Inspector or designee will review and approve the volumes and charges contained on the Account Analysis Statements and notify the Contractor of any required adjustments or if the Analysis is accepted as presented.

Contractor Response to task:

> **Comerica agrees with the Contract Compliance Inspector or designee will review and approve the volumes and charges contained on the Account Analysis Statements and notify Comerica of any required adjustments or if the analysis is accepted as presented.**

2.   The Contract Compliance Inspector or designee and the Contractor will monitor and maintain enough compensating balance to cover all charges for the Contract period. Compensating balance value is based upon actual monthly FEDI/ACH volume and associated charges and the earnings credit rate calculation as bid under this CONTRACT. In the event that the earnings credit is less than the total price for the services (actual FEDI/ACH transactions and costs exceed the previous month), Treasury shall cover the net change by maintaining a higher compensating balance value. Monitoring will occur on a monthly basis, and the compensating balance will be adjusted monthly. If the earnings credit is more than the total price for the services (actual FEDI/ACH transactions and associated charges lower than the previous month), Treasury shall maintain a lower compensating balance for the next month. The Contract Compliance Inspector or designee and the Contractor will work together to manage the appropriate compensating balance.

Contractor Response to task:

> **The Contract Compliance Inspector or designee and Comerica will work together to manage the appropriate compensating balance.**

3.   Estimated Compensating balance value will be deposited at implementation subject to the following:

     a.   Program Development: Contractor's system design document and program development has been reviewed and approved by the Compliance Inspector.

     b.   System Testing: Contractor completes system tests that follow the format agreed to by the Contractor and the Contract Compliance Inspector

c.   Complete Systems Implementation: The full system has been system tested and implemented. Implementation includes successful FEDI processing of all the applicable transaction sets, ACH Revenue files, communication lines, encryption, Pre-notification and live Entry processing with demonstrated ability to process NOC, Return, Reclamation, and Reversal items electronically, etc. The Contractor must have completed the documentation supporting the system. All paper reporting processes and reports and electronic files must be tested and approved. Treasury, MAIN, and ACH Revenue program personnel must be adequately instructed on the operation of the systems. The Contract Compliance Inspector has approved results of the systems tests and full implementation in writing.

d.   Treasury Contract Compliance Inspector Certification of the Systems: All portions of the systems are successfully certified as stipulated, as approved in writing by the Contract Compliance Inspector, MAIN, and ACH Revenue Programs.

e.   Collateral has been presented to and approved by Treasury, Bureau of Investments (See Appendix D for BT10001 Bulletin, Deposits of State Funds and Collateral Requirements and Section 1.701.2).

Contractor Response to task:

> **Collateral has been presented to and approved by Treasury as stated in Appendix D.**

4.   Treasury will reimburse the Contractor for Automated Clearing House payment transactions on the settlement date. Treasury will initiate reimbursements to the Contractor via ACH transactions originated from JP Morgan Chase for settlement on the same date as the originated transactions. If there is more than one file on a settlement date, separate ACH transactions will be issued for each file.

Contractor Response to task:

> **Comerica Bank is in agreement with the above statement.**

5.   Balances exceeding the established compensating balance are to be transferred to the State's designated depository account at JP Morgan Chase, Michigan. The Contractor will transfer the funds by using the Chase touch tone ACH process, <u>when the collected balance exceeds the compensating balance by $100,000 or at least once weekly.</u> The amount to be transferred is the amount that exceeds the compensating balance. Treasury will specify the procedure for accomplishing this process.

Contractor Response to task:

> **Balances exceeding the established compensating balance will be transferred to the State's designated depository account at JP Morgan Chase, Michigan.**

6.   EARNINGS CREDIT RATE

a.   Prospective Contractors will utilize the August 24, 2006 three (3) month T-Bill rate of 4.96% in their proposal.

b.   For each month of the Contract, the Contractor shall calculate the Earnings Credit Rate as follows:

1.   Determine the three (3) month T-Bill 'ask yield'. Contractor is to use last Monday of the month's <u>Wall Street Journal</u>, unless the Monday is a holiday and the financial markets are closed. In such cases, the next business day's <u>Wall Street Journal</u> is to be used. In the <u>Wall Street Journal</u>, refer to Section entitled 'Treasury Bonds, Notes, and Bills.' The close date is noted near the title. Under the subsection 'Treasury Bills', determine the <u>91-day</u> 'ask yield'.

2.   The value obtained from "1." Above is the Earnings Credit Rate the Contractor is to apply to the previous month's compensating balance. The Treasury Earnings Credit Rate formula specified here must be used to calculate the monthly compensating balance. **Your bid will be disqualified if you do not accept these Earnings Credit Rate terms.** The compensating balance will be calculated monthly by the Contractor and verified with the Contract Compliance Inspector or designee. The formula is:

X = Total monthly cost based on actual transactions and fees

(.90) (Three month T-Bill Earnings Credit Rate for month/365)(30 days)

Contractor Response to task:

> **The compensating balance will be calculated monthly by the Contractor and verified with the Contract Compliance Inspector using the Treasury Earnings Credit Rate formula specified.**

7.   Alternative Pricing – For purposes of bid comparison the Contractor must submit pricing using the compensating balance method outlined above and in Article 1, Attachment A. If the Contractor has alternative pricing method(s) that they wish the State to consider they should attach such proposals labeled as "Alternative Pricing" to the required pricing document. The Alternative Pricing should include a description of the pricing method and advantages of such pricing.

Contractor Response to task:

> **See attached "Alternative Pricing" Please see Article 1, Attachment A.**

1.7   Additional Terms and Conditions Specific to this SOW

1.701   ADDITIONAL TERMS AND CONDITIONS SPECIFIC TO THIS SOW

1.   MOVEMENT OF FUNDS/DAYLIGHT OVERDRAFTS

All funds shall be deposited into demand account(s) as specified by Treasury.   Treasury will remit funds to the Contractor via ACH. The funds will settle on the same day as the outgoing credit ACH transactions originated by the Contractor for MAIN and PFOS payments. The Contractor should experience no daylight overdraft.

A Master Zero Balance Account (ZBA) will be established with the Contractor. In addition, 5 sub ZBA accounts will be established for the following:

- FEDI Credit ACH Account (includes FEDI and PFOS ACH Programs)
- PC or Web Originated Entries
- MLCC Debit ACH
- DNR Debit ACH
- Treasury Collection Debit ACH

a.   For ACH Payments:

1.   One Entry per day is to be made (to reduce Treasury's bank account for the amount of the payment files) to Treasury's account for the total amount of the ACH payments, except when the value exceeds $99,999,999.99 (system limitation). In such cases, more than one Entry can be made for one payment file transmission. However, if there is more than one transmission in one day, there shall be a separate bank debit Entry for the total of each transmission (or multiples if needed because of the system limitation).

Contractor Response to task:

> **Each ACH file transmission will generate a separate offset transaction entry.**

2.   If there are insufficient funds in Treasury's account(s) to satisfy the credits (outgoing ACH payments) on the settlement date, the Contractor shall call the Contract Compliance Inspector. The Compliance Inspector will immediately take steps to resolve the lack of funds, if deemed appropriate.

Contractor Response to task:

> **In the event an outgoing ACH file is suspended due to insufficient funds, the Comerica relationship manager will be notified and in turn, will contact the Contract Compliance Inspector.**

3.   The Contractor is not authorized to debit any other State Treasurer's account that may be with the Contractor in order to satisfy the lack of funds in the ACH account established by the resulting Contract. As noted above, no daylight overdraft is anticipated.

Contractor Response to task:

> **In the event of a lack of funds in the ACH account, we will work with the Compliance Inspector.**

4.   Credits to the account resulting from a Return of an Entry shall be posted to the account as of the date of receipt by the Contractor.

Contractor Response to task:

> **All ACH return items are posted to the origination account on the date of receipt.**

5.   Each Return entry shall be posted **individually** to Treasury's account.

Contractor Response to task:

> **ACH return items are posted to the origination account individually.**

b.   **For ACH Revenue Programs**

1.   The Contractor will credit each ACH Revenue Program for the total dollar amount of its outgoing file transmission on the settlement date. Each ACH Revenue Program will maintain a separate sub zero balance account (sub ZBA).

Contractor Response to task:

> **ACH offset transactions are posted to the origination account on the settlement date.**

2.   Each Return entry shall be posted **individually** to the appropriate ACH Revenue Program account.

Contractor Response to task:

> **ACH return items are posted to the origination account individually.**

2.   **COLLATERAL**

Contractor will be required to provide collateral to cover all monies left in the bank account. Compensating balance held in a Demand Deposit Account will require collateral of two (2) times the compensating balance less $100,000 (FDIC insurance). The pledged collateral shall be held in the name of the Michigan Department of Treasury at the Federal Reserve. All collateral must be provided on the Implementation Date. The Contractor shall provide an initial list of the par amount, type cusip number and current market value of the collateral to the Contract Compliance Inspector. Updates shall be sent when collateral is added. The Department of Treasury retains the right to reject any collateral deemed unsatisfactory. Upon rejection, the Contractor must provide approved substitute collateral within one business day. The Department of Treasury also retains the right to set the amount of collateral needed to cover the bank account. The

Department of Treasury will only accept US Treasury Bonds, Notes with a minimum rating of "AAA" or better, and Bills as approved collateral for this Contract. (See Appendix D - Bulletin BT-10001 - Reference Guide to U.S. Government and Agency Securities). Treasury will not release collateral until the Contract is completed in its entirety. Collateral will be adjusted during the Contract based upon increases and decreases in the compensating balance amount (see Appendix D).

THE CONTRACTOR SHALL NOT SWITCH COLLATERAL AT ANY TIME WITHOUT APPROVAL FROM THE DEPARTMENT OF TREASURY. SWITCHING COLLATERAL WITHOUT APPROVAL FROM THE DEPARTMENT OF TREASURY MAY DISQUALIFY THE CONTRACTOR FROM BIDDING ON THIS JOB FOR THE NEXT CONTRACT PERIOD.

Contractor Response to task:

> **Comerica Bank will adhere to the State's acceptable collateral as stated in Appendix D.**

Article 1, Attachment A

1.   All prices/rates quoted in Contract will be firm for the duration of the Contract. The only price changes allowed will be for rate decreases or increases for the ACH Operator ACH Item and Addenda Fees that are charged to the ODFI. If the contract is extended beyond three years, the State and the Contractor may negotiate price increases or decreases. If mutually acceptable rates are not negotiated, the Contract will not be extended.

2.   This is a unit price Contract. It is noted in the price proposal which portions of the pricing will be held firm for the duration of the contract. The State will only pay for <u>actual</u> transactions processed, as noted in the price proposal. The Contractor is at risk for ALL additional costs, overhead, set-up, travel, out of pocket costs, etc.

3.   The Earnings Credit Rate will change from month to month during the contract period. The three-month T-Bill rate will be utilized to make the monthly calculation as explained in Section 1.601 (COMPENSATION AND PAYMENT). The compensating balance will be computed after a month ends, using the formula below. The (.90) in the formula reflects the 10% Federal Reserve requirement.

X = <u>Total monthly cost based on actual transactions and fees</u>
(.90) (Three month T-Bill Earnings Credit Rate for month/365)(30 days)

4.   NOTE: All volumes in this Contract are estimates. The State does not guarantee the volumes stated below or elsewhere in this Contract. The following table allows the Contractor to provide for volume discounts. Charges by the Contractor during the duration of the Contract will be in accordance with the volume pricing provided by the Contractor. First year of the contract will be based on an annual transaction volume of 5,479,000 transaction range or the transaction range associated with the actual 12 month volume of the 12 month period immediately preceding implementation of this contract, whichever is higher. For subsequent years the transaction range utilized to determine the unit rate will be based on the previous 12-month transaction volume. A rolling 12-month transaction volume report will be used to assess 'annual volume' and the movement to the next price range.

ACH Transaction Volume Pricing Table

Price Per Transaction (Unit Rate)	Annual Volume
$0.08	5,479,000 and above
$0.09	Less than 5,000,000
$0.10	Less than 4,800,000

5.   Price Proposal:

a.   Under the terms of the Contract all prices, except the ACH Operator ACH per Item and Addenda fees, will be held firm for the duration of the Contract. The ACH Operator fees are considered to be "pass-through" fees. Contractor cannot include a mark-up on the ACH Operator pass-through fees. The Contract will be amended for ACH Operator increases or decreases in fees. Each year (or as issued), the Contractor shall provide the Contract Compliance Inspector with the new ACH pass-through fee structure issued by the ACH Operator.   The Contract will be amended as appropriate.

b.   Contractor shall assume the ACH Operator fees are passed through to the State. No Mark-Up can be added to the ACH Operator Fees. Pricing has not changed from the pricing we currently charge the State for the ACH Operator, therefore, the State already has the information. If the State requires further information, we will provide upon being awarded the bid.

c.   During the Contract, the Contractor must reflect the costs for this Contract on the monthly Account Analysis Statement as the fees are presented in the price proposal. The Contractor cannot convert the pricing to coincide with its billing system, unless authorized to do so, in writing, by the Purchasing Operations, as agreed to by the Contract Compliance Inspector.

d.   Contractor's Price Proposal.

PRICE PROPOSAL
Comerica's Preferred Format

ITEM	UNIT RATE	ANNUAL TRANSACTION VOLUME	COST
A) ACH OPERATOR PASS-THROUGH FEE FOR ACH CREDITS AND DEBITS (see additional information below)	$0.0025	5,400,000	$13,500
B) ACH RATE PER ITEM CHARGE FOR ACH CREDIT (PAYMENTS) AND ACH DEBIT (REVENUE) (see additional information below)	$0.0800	5,400,000	$432,000
C) ACH OPERATOR PASS-THROUGH ADDENDA FEE (see additional information below)	$0.0025	201,000	$503
D) CHARGE PER ADDENDA RECORD (CCD+, CTX, PPD+) (see additional information below)	$0.0025	201,000	$503
E) FEDI MONTHLY CHARGE	$100	12	$1,200
F) ONE-TIME FEDI SETUP FEE	N/A	N/A	
G) TOTAL ANNUAL COST BASED ON 5,400,000 TRANSACTIONS	$0.083	5,400,000	$447,705
H) TOTAL COST FOR THREE YEARS	N/A	N/A	$1,343,115
I) COMPENSATING BALANCE CALCULATION (see additional information below)	N/A	N/A	$10,168,529

The price reflected above represents State of Michigan compensating balances being held in a zero interest Certificate of Deposit or an approved Treasury Fund Sweep Account.

General Information related to bidders price proposal*:*

A)   The ACH Operator (Pass-Through) Fees. No Mark Up allowed anywhere in price proposal. During the life of the Contract, this fee will be allowed to change, consistent with the ACH Operator increases or decreases in this pass-through fee.

B)   This cost should reflect all of your costs, including, but not limited to the following: development, implementation, transmission of electronic files, origination, Pre-notification, encryption, warehousing, Returns, notifications of change, On-us items, tracers, reversals, reclamations, FDIC charges, line charges, training, telecommunication charges, testing, reports as noted under Section 1.302 and other administrative costs. This cost includes the Standard Entry Class Codes of: PPD, PPD+, CCD, CCD+ CTX, CBR, and PBR – except addenda costs are separately requested. This cost shall include the cost for 820, 824, 827, 829, 831, 997 transaction set files.

Contractor shall not include the ACH Operator Item fee in this price, nor any mark-up of the ACH Operator fee. The ACH Operator Item fee is separately stated in item A.

This charge shall <u>not</u> include: FEDI setup fee, FEDI origination monthly fees, or addenda fees. These fees are separately stated by the Contractor in the Price Proposal.

C) ACH Operator Pass-Through Addenda Fee. Contractor is not allowed to add a mark-up to this fee in any of the other costs requested. During the life of the Contract, this fee will be allowed to change, consistent with the ACH Operator increases or decreases in this pass-through fee. Estimated volume of 201,000 is based on FY 2005 addenda records generated.

D) See 'C' above for estimated volume.
E) No additional information.
F) No additional information.
G) No additional information.
H) No additional information.

I) The cost of Contract is determined by a combination of cost per transaction offered by the Contractor and the compensating balance required. The compensating balance formula will determine the compensating balance that will need to be left on deposit with the bank in order to pay for the contractual costs via earnings credits. This compensating balance calculation is for bid purposes only. The compensating balance used for payment will be based upon actual volume, transaction costs, rates, and fees.

     e. <u>Additional Banking Transaction and Reporting Costs.</u>

<u>The fees below will be held firm for the duration of the Contract.</u> The fees below are considered maintenance fees. The reports included in this section are defined under Section 1.302, REPORTS.

ITEM	UNIT COST	ANNUAL TRANSACTION VOLUME	COST
1.) Monthly Account and Maintenance Fee (bank account or zero balance account fee). 6 accounts.	$20.00	72	$1,440.00
2.) Cost per Debit to the Account	$0.12	400	$48.00
3.) Cost per Credit to the Account	$0.12	500	$60.00
4.) Cost per outgoing EFT (e.g. To transfer balances in account to another Treasury bank account)	$0.12	250	$30.00
5.) Cost per outging Wire Transfer (e.g. To transfer balances in account to another Treasury bank account)	$5.00	250	$1,250.00
6.) Monthly Bank Statement Fee (Paper Statement)	$0.00	12	$0.00
7.) Monthly Account Analysis Fee, if any	$0.00	12	$0.00
8.) Daily BAI File Fee	$0.00	250	$0.00
9.) Cost for PC or Web based Reporting Software, if any	$100.00	8	$800.00
10.) Cost per PC or Web based Daily Bank Statement	$0.00	250	$0.00
11.) Cost per PC or Web based Monthly Bank Statement	$0.00	12	$0.00
12.) Cost per PC or Web based Reports other than the daily and monthly bank statement. List each type of report separately, how often the bidder believes we will need it, the cost per report, and the annual cost.			$0.00
13.) Any other maintenance type costs that may be charged. Be specific as to purpose, per item cost, volume, and total annual cost for each item.			$0.00

<u>**Article 1 Attachment B**</u>

Comerica Bank
Organizational Chart and Core Team for the State of Michigan

Name:	Laura K. Conde Treasury Management Sales Officer Project Manager
Business Address:	39200 Six Mile Road Livonia, MI 48152-7618
Phone:	734-632-4507
E-mail:	lconde@comerica.com
Education:	Currently enrolled at Madonna University in the Business Administration Program
Experience:	Has been employed at Comerica Bank for 12 years. Since July 2006, my position has been Treasury Management Sales Officer in Comerica's Treasury Management Sales Department. Previously experience includes a Treasury Management Sales Representative, supporting a team of Treasury Management Sales Officers, 3 years as a Commercial Loan Analyst and 3 years with various roles within our branches.

Name:	Laura M. Dutton Vice President, Treasury Management Customer Service
Business Address:	39200 Six Mile Road Livonia, MI 48152-7612
Phone:	(734) 632-5568
E-mail:	laura_m_dutton@comerica.com
Education:	B.A., Mercy College Certified Treasury Professional (CTP)
Experience:	Ms. Dutton has 28 years of banking experience with Comerica Bank. Her last seven years have been in Comerica's Treasury Management Customer Service Department. Ms. Dutton serves as a Team Leader within the Customer Service Unit and has a great deal of experience managing complex implementations such as ACH and EDI services. Her experience servicing large corporate, middle market, and casino customers, as well as large municipalities is a source of strength for her team members. Ms. Dutton came to Treasury Management after serving 21 years in the branch system where she was promoted from teller to branch manager during her tenure.

Name: Laura W. Branchick
                             Vice President, Vice President, Municipality Group

Business Address: 411 W. Lafayette
                             Detroit, MI 48275-3354

Phone: (313) 222-4151

E-mail: lwbranchick@comerica.com

Experience: Ms. Branchick is a Vice President in the Municipality Group of Comerica Bank. Her
                             current responsibilities include providing bank services and products to existing and
                             potential municipal customers. Ms. Branchick has worked in this capacity at Comerica
                             Bank with local governments and school districts since 1989. She has an extensive
                             background in retail banking through her prior 17 years of experience with KeyCorp,
                             headquartered in Cleveland, Ohio.

                             Ms. Branchick is active in several local municipal organizations related to continuing
                             education in financial systems as well as programs in the public sector.

Name: Albert P. Taylor
                             First Vice President, Municipalities & Specialty Services

Business Address: 411 W. Lafayette
                             Detroit, MI 48226-3354

Phone: (313) 222-3949

E-mail: albert_p_taylor@comerica.com

Education: Walsh College of Business and Accountancy
                             B.A. Finance
                             MSF Corporate Finance
                             Executive Management Program

Experience: Mr. Taylor began his career at Comerica in 1987. He has held various management
                             positions at Comerica and currently serves as First Vice President and Group Manager
                             for Comerica's Municipalities and Specialty Services Group. Mr. Taylor has worked in
                             the Branch Administration Department with responsibilities ranging from retail branch
                             management, financial and strategic planning, small business lending, to branch
                             automation development. In 1997, Mr. Taylor worked as the executive assistant to the
                             Chairman and Chief Executive Officer. His responsibilities included the management of
                             Comerica's charitable giving program and the creation of Comerica's Charitable
                             Foundation.

Name: Linda M. Lakin
                             Manager, Vice President – Electronic Services Group

Business Address: 39200 W. Six Mile Road Livonia
                             Livonia, MI 48152-7570

E-Mail: Linda_m_lakin@comerica.com

Phone: 734-632-4911

Education/Degree(s)   Associate of Science with a major in Computer Science
                             Bachelor of Science with a major in Administration
                             (Completion in 2000)

Classes/ Seminars include:

                             Dale Carnegie Course in Human Relations
                             Effective Technical Presentations
                             Time Management
                             Technical Writing
                             Novell/Netware System Administration
                             Marketing ACH
                             ACH Intermediate
                             ACH Advanced
                             ACH Rules Changes for 2000
                             Everything You Ever Wanted to Know About ACH
                             ACH Risk Management
                             ACH Rules Enforcement

Experience: Linda has 30 years experience in banking. Five of those years were spent as a systems
                             programmer for the Mortgage Department. Responsibilities included creating the ACH
                             direct debit file for our Student Loan application. Linda spent five years in Treasury
                             Management as a technical advisor for the ACH and ARP products. Duties included
                             interfacing with customers regarding product set-up, problems, enhancements, or
                             changes which were technical and complex in nature. Linda has been the manager of
                             the ACH and EDI departments since 1997. She manages a staff of 18 employees that
                             cover three shifts. Linda is also a member of the Payments Authority's Rules and
                             Operations Committee.

Name: Patricia Brailean
Assistant Vice President, Electronic Services Group

Business Address: 39200 W. Six Mile Road
Livonia, MI 48152-7570

E-Mail: Patricia_K_Brailean@comerica.com

Phone: 734-632-4909

Title(s): Supervisor

Classes/Seminars include:

Technical Writing
ACH Intermediate
ACH Rule Changes for 2000
Everything You Ever Wanted to Know About ACH
ACH Risk Management
PEP+ User Conference
PEP+ Sharing Work Seminar
Effective Business Writing

Experience: Patty has 19 years experience in banking. the has been in the ACH Department for nine years. Patty began in the ACH department as a Direct Deposit Representative. Responsibilities included processing incoming files, processing returns, balancing daily input, research and customer services. Patty spent four years as a Technical Analyst responsible for the support of the ACH processing system, PEP+. Responsibilities included testing all new direct transmission customers, all new upgrades and modules to the PEP+ system, balancing the PEP+ general ledgers, and problem management. Patty is currently the ACH supervisor, and supervises a staff of 13 that covers 3 shifts.

Name: Sandra D. White
                             Technical Analyst / Supervisor for Electronic Services

Address: 39200 W. Six Mile Road
                             Livonia, MI 48152-7570

E-Mail: Sandra_D_White@comerica.com

Phone: 734-632-4927

Education/Degree(s):   Bachelors Degree in Business Administration, Detroit
                             College of Business, 1997

Classes/Seminars include:

                             Time Management
                             Effective Business Writing
                             Everything You Ever Wanted to Know About ACH
                             ACH Rule Changes for 2000
                             Vector Connexion 101
                             Dataguard-Encryption/Decryption Seminar
                             EDI Users Group Seminar

Experience: Sandra has 15 years of banking experience. She has been in the EDI Department for 7
                             years. Sandra began in the EDI department as Systems Operator. Responsibilities
                             included processing incoming files, monitoring daily jobs via the mainframe, balancing
                             daily files, and customer service. Sandra is currently the Technical Analyst for EDI; this
                             position provides her the opportunity to work closely with major projects concerning EDI.
                             Sandra assists the Information Services team in the implementation of enhancements to
                             the EDI system, reviews test results, and provides operational support.

Name:	Karen Arthur-Langley, PMP Vice President, Information Services
Address:	3701 Hamlin Road Auburn Hills, MI 48326-2460
E-Mail Address:	Karen_A_Arthur@comerica.com
Phone:	(248) 371-5720
Education/Degree(s):	MBA, University of Detroit BA, Michigan State University
Comerica Bank:	22+ years
Experience:	+16 years as a technology manager in the application development area of Information Services responsibilities includes: Checking/Savings, Human Resources & Payroll, Transaction Processing, Internal Operations, Merger & Acquisition, Branch Systems, Small Business, Automated Clearing House, Electronic Data Interchange, Account Reconcilement, Transmission, Commercial Cards, and Account Analysis. Currently is the System Manager for Comerica's Treasury Management Mainframe Software systems (Automated Clearing House, Electronic Data Interchange, Account Reconcilement, Transmission, Commercial Cards, and Account Analysis) and responsible for providing technical assistance in support of the State of Michigan's Request for Proposal.

Name:	Duane Myers Assistant Vice President, Information Services
Address:	3701 Hamlin Road Auburn Hills, MI 48326-2460
E-Mail Address:	dmyers@comerica.com
Phone:	(248) 371-7949
Title(s):	Assistant Vice President
Education/Degree(s):	MBA, Wayne State University BS, Oakland University
Experience:	Responsible for Comerica wholesale business applications including ACH and EDI. Duane has over 8 years of information services experience in banking with 8 years in EDI and 6 years in ACH. His EDI experience includes application upgrades and extensive customer implementations. Duane has worked on the State of Michigan project and has supported testing efforts and production issues since the State's implementation at Comerica. Duane is the systems application manager for all aspects of ACH/EDI processing and is located in Comerica's Operations Center in Auburn Hills, MI.

Name: Richard H. Babb
                             Vice President, Information Services

Business Address: 3701 Hamlin Road
                             Auburn Hills, Michigan 48326-2460

Phone: (248) 371-5072

E-mail Address: richard_h_babb@comerica.com

Education: B. S. and MLIR, Michigan State University

Experience: Mr. Babb has been with Comerica for twenty years and has held various positions of management within the Information Services division. He has worked on several system applications including Human Resources, General Ledger and other accounting applications, Management Information Systems (MIS), Credit Card, ATM, Wire Transfer, Individual (Consumer) Loans, and Mortgage. Mr. Babb currently serves as the Vice President in charge of the Wholesale Technology group supporting Treasury Management applications. He is responsible for managing technology projects for Wire Transfer, ACH, EDI, and the Treasury Management Internet applications including TM Connect Desktop.

Name:	Thomas R. Thayer
	Systems Programmer II
	Infrastructure Management / Online Systems

Address:	3701 Hamlin Road
	Auburn Hills, MI 48326-2350

E-Mail:	Thomas_R_Thayer@comerica.com

Phone:	248-371-5931

Education/Degree(s)	1.5 years of College

CMA Bank Experience:	16

Experience:

Network Technician:
Responsible for monitoring and maintaining the data
network for Comerica Bank. This included branch and
ATM networks as well as internal and external customers.

Systems Programmer II:
Responsible for installing and support of the following
software programs:

Connect: Direct
Connect: Mailbox
SPC Option for Connect: Mailbox
Tempus Transfer

Duties include installing new releases of software supported and providing 24x7 support
for those products as well as the internal and external customers that use them.

World Computer-Network Design
Responsible for designing and implementing a new data network as well as providing
support for the existing network and customers.

Electronic Data Systems-Data Network Engineer
Duties included moving existing General Motors data centers to EDS data centers by
designing new data networks and coordinating all aspects involved in migrating major
data centers.

<u>**Article 2 – General Terms and Conditions**</u>

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)   "Amendment Labor Rates" means the schedule of fully loaded hourly labor rates attached as Article 1, Attachment C.
(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 and/or Attachment B, 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 delegates performance of a portion of the Services to, but does not include independent contractors engaged by Contractor solely in a staff augmentation role.
(o)   "Work in Process" means a Deliverable that has been partially prepared, but has not been presented to the State for Approval.

2.012   Attachments and Exhibits

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

2.013   Statements of Work

(a)   The parties agree that the Services/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, 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 Purchasing Operations for this Contract is:

Jim Wilson
Buyer
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 Purchasing Operations**. The Contract Compliance Inspector for this Contract is:

Brenda Vincent
Department of Treasury
Receipts Processing Division
7285 Parsons Drive
Dimondale, MI 48821
Email: VincentBL1@michigan.gov
Phone: (517) 636-5382

2.020   Contract Objectives/Scope/Background

2.021 Background

See section 1.002

2.022 Purpose

The purpose of this RFP is to obtain bids for an Originating Depository Financial Institution (ODFI) service for the Department of Treasury, Receipts Processing Division.

2.023 Objectives and Scope

See sections 1.101 and 1.104.

2.024 Interpretation

Sections 2.021 through 2.023 are intended to provide background and context for this Contract and are not intended to expand the scope of the obligations under this Contract or to alter the plain meaning of the terms and conditions of this Contract. However, to the extent the terms and conditions of this Contract are unclear or otherwise ambiguous, such terms and conditions are to be interpreted and construed in light of the provisions of this Section.

2.025 Form, Function and Utility

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

2.030   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 the period of 1/1/08 through 12/31/11. 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 two (2) additional one (1) year periods. Successful completion of negotiations surrounding the terms of the extension will be a pre-requisite for the exercise of any option year.

2.040   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.   Article 1, Attachment B provides an organization chart showing the roles of certain Key Personnel, if any.
(ii)   Key Personnel shall be dedicated as defined in Article 1, Attachment B to overseeing and/or providing the Services subject to Comerica's reservation of right to remove such Key Personnel as it deems necessary for the purpose of providing and/or continuing to provide the Services and for the good of Comerica's business. Contractor will advise the State as soon as practical of the re-deployment of personnel deemed crucial to performing the Services under this Contract. Contractor will have at least one primary contact person at all times to assist the State.
(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)   Reserved.
(v)   Reserved.

(c)   Reserved.

(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.

(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

If at any time the Contractor will have employees on State property such employees will be clearly identifiable, wearing such identification such as the State reasonably requires.

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, 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 (if any) for the affected Work will not be counted for a time agreed upon by the parties.

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

Except as otherwise agreed in writing by the State and Contractor, the State will not be obligated to direct payments for the Services other than to Contractor. The State's written approval of any Subcontractor engaged by Contractor to perform any obligation under this Contract shall not relieve Contractor of any obligations or performance required under this Contract. Attached as Exhibit A is a list of the Subcontractors, if any, approved by the State as of the execution of this Contract, together with a copy of the applicable subcontract.

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

(e)   The Contractor shall select subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of 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://www.michigan.gov/dit/0,1607,7-139-30639_30655---,00.html.

2.052   PM Methodology Standards

The State has adopted a standard documented Project Management Methodology (PMM) for use on all Information Technology (IT) based projects. See the State's PMM website at http://www.michigan.gov/projectmanagement.

The Contractor shall use the State's PPM to manage this Contract. If the Contractor requires training on the PMM, those costs shall be the responsibility of the Contractor, unless otherwise stated.

2.053   Adherence to Portal Technology Tools

The State has adopted the following tools for its Portal Technology development efforts:

* Vignette Content Management and personalization Tool
* Inktomi Search Engine
* E-Pay Payment Processing Module
* Websphere Commerce Suite for e-Store applications

Unless otherwise stated, Contractor must use the Portal Technology Tools to implement web content management and deployment efforts. Tools used for web-based application development must work in conjunction with Vignette and Inktomi. The interaction with Vignette and Inktomi must be coordinated with DIT, Enterprise Application Services Office, e-Michigan Web Development team.

Contractors that are compelled to use alternate tools must have received an exception from DIT, Enterprise Application Services Office, e-Michigan Web Development team, before this Contract is effective.

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/Blanket Purchase Order by the State after approval by the Contract Administrator or his/her designee. All orders are subject to the terms and conditions of this Contract. In the event of conflict between an order and this Contract, 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/Blanket Purchase Order be applicable, unless specifically contained in that Purchase Order/Blanket Purchase Order's accompanying Statement of Work.

2.062   Software - Reserved

2.063   Hardware - Reserved

2.064   Equipment to be New and Prohibited Products

(a)   Equipment to be New
If applicable, all equipment provided under this Contract by Contractor shall be new where Contractor has knowledge regarding whether the equipment is new or assembled from new or serviceable used parts that are like new in performance or has the option of selecting one or the other. Equipment that is assembled from new or serviceable used parts that are like new in performance is acceptable where Contractor does not have knowledge or the ability to select one or other, unless specifically agreed otherwise in writing by the State.
(b)   Prohibited Products
The State will not accept salvage, distressed, outdated or discontinued merchandise. Shipping of such merchandise to any State agency, as a result of an order placed against the Contract, shall be considered default by the Contractor of the terms and conditions of the Contract and may result in cancellation of the Contract by the State. The brand and product number offered for all items shall remain consistent for the term of the Contract, unless Purchasing Operations has approved a change order pursuant to **Section 2.106**.

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 - Reserved

2.074   Bankruptcy

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

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

2.075   Time is of the Essence

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

2.080   Delivery and Acceptance of Deliverables

2.081   Delivery Responsibilities

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

(a)   Shipment responsibilities - Services performed/Deliverables provided under this Contract shall be delivered "F.O.B. Destination, within Government Premises." The Contractor shall have complete responsibility for providing all Services/Deliverables to all site(s) unless otherwise stated. Actual delivery dates will be specified on the individual purchase order.

(b)   Delivery locations - Services will be performed/Deliverables will be provided at every State of Michigan location within Michigan unless otherwise stated in the SOW. Specific locations will be provided by the State or upon issuance of individual purchase orders.

(c)   Damage Disputes - At the time of delivery to State Locations, the State shall examine all packages. The quantity of packages delivered shall be recorded and any obvious visible or suspected damage shall be noted at time of delivery using the shipper's delivery document(s) and appropriate procedures to record such.

Where there is no obvious or suspected damage, all deliveries to a State Location must be opened by the State and the contents inspected for possible internal damage not visible externally within 14 days of receipt. Any damage must be reported to the Contractor within five (5) days of inspection. If this inspection does not occur and damages not reported within 30 days of receipt, the cure for such damaged deliveries shall transfer to the delivery signing party.

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 (Also See Section 1.104.14.b)

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

2.084   Approval of Deliverables, In General

If new services/deliverables/specifications are needed outside the scope of the previous Contract #071B0000638, Approval of Deliverables in section 2.084 will be needed.

(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 **Sections 2.083 and 1.104.14,b**, 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 (3) 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

The State Review Period for Written Deliverables will be the number of days set forth in the applicable Statement of Work following delivery of the final version of the Deliverable (failing which the State Review Period, by default, shall be five (5) Business Days for Written Deliverables of 100 pages or less and 10 Business Days for Written Deliverables of more than 100 pages). The duration of the State Review Periods will be doubled if the State has not had an opportunity to review an interim draft of the Written Deliverable prior to its submission to the State. The State agrees to notify Contractor in writing by the end of the State Review Period either stating that the Deliverable is approved in the form delivered by Contractor or describing any deficiencies that must be corrected prior to approval of the Deliverable (or at the State's election, subsequent to approval of the Deliverable). If the State delivers to Contractor a notice of deficiencies, Contractor will correct the described deficiencies and within 30 Business Days resubmit the Deliverable in a form that shows all revisions made to the original version delivered to the State. Contractor's correction efforts will be made at no additional charge. Upon receipt of a corrected Deliverable from Contractor, the State will have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Deliverable to confirm that the identified deficiencies have been corrected.

2.086   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

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

2.088 Final Acceptance

If new services/deliverables/specifications are needed outside the scope of the previous Contract #071B0000638, Final Acceptance in section 2.088 will be needed.

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 (Also See Article 1, Attachment A)

(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. To the extent the parties agree that certain specific Services will be provided on a time and materials basis, such Services shall be provided at the Amendment Labor Rates (**Article 1, Attachment C**). 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, using the rates in **Article 1, Attachment C** unless specifically identified in an applicable Statement of Work.
(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) Labor Rates
All time and material charges will be at the rates specified in **Article 1, Attachment C**.

2.092 Invoicing and Payment Procedures and Terms (Also See Article 1, Attachment A)

(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. The charges for Services billed on a time and materials basis shall be determined based on the actual number of hours of Services performed, at the applicable Labor Rates. Invoices for Services performed on a time and materials basis will show, for each individual, the number of hours of Services performed during the billing period, the billable skill/labor category for such person and the applicable hourly billing rate. (iii)   Correct invoices will be due and payable by the State, in accordance with the process described in Section 1.601, provided the State determines that the invoice was properly rendered.

Comerica will provide an analysis statement showing the charges incurred during the statement period.

(b)   Taxes (See Section 2.305 and Article 3, Section 3.022-3.024 for additional)
The State is exempt from Federal Excise Tax, State and Local Sales Taxes, and Use Tax with respect to the sale to and use by it of tangible personal property. Such taxes shall not be included in Contract prices as long as the State maintains such exemptions. Copies of all tax exemption certificates shall be supplied to Contractor, if requested.

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

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

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

(f)   Final Payment
The making of final payment by the State to Contractor does not constitute a waiver by either party of any rights or other claims as to the other party's continuing obligations under 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   Holdback - Reserved

2.095   Electronic Payment Availability - Reserved

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 in accordance with **Article 1, Attachment D** (Project Plan) is likely to delay the timely achievement of any Contract tasks.
(b)   The Services/Deliverables will be provided by the Contractor either directly or through its affiliates, subsidiaries, subcontractors or resellers. Regardless of the entity providing the Service/Deliverable, the Contractor will act as a single point of contact coordinating these entities to meet the State's need for Services/Deliverables. Nothing in this Contract, however, shall be construed to authorize or require any party to violate any applicable law or regulation in its performance of this Contract.

2.102   Problem and Contract Management Procedures

Problem Management and Contract Management procedures will be governed by the Contract and the applicable Statements of Work.

2.103   Reports and Meetings (Also See Section 1.302, Reports)
Comerica will meet on a quarterly basis to discuss performance. Reports may include:

a)   set forth a record of the material personnel changes that pertain to the Services and describe planned changes during the upcoming month that may affect the Services in the time and manner provided.

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   Reserved

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 the Contractor gives notice 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, 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 - Reserved

2.111   **Records and Inspections**

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

(b)   Examination of Records. Contractor agrees that the State, including its duly authorized representatives, until the expiration of seven (7) years following the creation of the material (collectively, the "Audit Period"), shall, upon 20 days prior written notice, have access to and the right to examine and copy any of Contractor's books, records, documents and papers pertinent to establishing Contractor's compliance with the Contract and with applicable laws and rules, including the State's procurement rules, regulations and procedures, and actual performance of the Contract for the purpose of conducting an audit, examination, excerpt and/or transcription but the State shall not have access to any information deemed confidential to Contractor to the extent such access would require such confidential information to become publicly available. This provision also applies to the books, records, accounts, documents and papers, in print or electronic form, of any parent, affiliated or subsidiary organization of Contractor, or any Subcontractor of Contractor performing services in connection with the Contract. The State is ablated all reasonable costs related to the inspection and examination.

(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 (4) quarterly statements. If a balance remains after four (4) quarterly statements, then the remaining amount will be due as a payment or refund within 45 days of the last quarterly statement that the balance appeared on or termination of 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.

If at any time State employees will be on the Contractor's premises, the State will authorize the investigation of its personnel by Contractor to the extent such background investigation is customarily required by the Contractor.

2.140   Reserved

2.150   Confidentiality (Also see Section 1.104, 13)

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.

In addition to Comerica's Confidential Information described above, Comerica has duties under state and federal law, including the privacy provisions of the federal Financial Modernization Act of 1999, to maintain confidentiality of customer records that are subject to this Act and those laws. For purposes of this Contract all such customer records shall be referred to as "GLB Confidential Information" and as such the GLB Confidential Information shall be protected as required by the applicable law.

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.

State shall not disclose GLB Confidential Information to any third party without Comerica's prior written consent. Unless otherwise prohibited by law, the State shall (a) immediately notify Comerica of its receipt of any legal process for GLB Confidential Information and (b) permit Comerica adequate time to seek to prohibit or limit such 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.

This section 2.154 shall not apply to GLB Confidential Information.

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. The State will destroy Comerica's Confidential Information.

2.160   Proprietary Rights

2.161   License

Contractor grants to the State a non-exclusive, royalty-free, site-wide, irrevocable, transferable license to use the Software and related documentation according to the terms and conditions of this Contract. For the purposes of this license, "site-wide" includes any State of Michigan office regardless of its physical location.

The State may modify the Software and may combine such with other programs or materials to form a derivative work. The State will own and hold all copyright, trademark, patent and other intellectual property rights in any derivative work, excluding any rights or interest in Software other than those granted in this Contract.

The State may copy each item of Software to multiple hard drives or networks unless otherwise agreed by the parties.

The State will make and maintain no more than one archival copy of each item of Software, and each copy will contain all legends and notices and will be subject to the same conditions and restrictions as the original. The State may also make copies of the Software in the course of routine backups of hard drive(s) for the purpose of recovery of hard drive contents.

In the event that the Contractor shall, for any reason, cease to conduct business, or cease to support the Software, the State shall have the right to convert these licenses into perpetual licenses, with rights of quiet enjoyment, but subject to payment obligations not to exceed the then current rates.

2.162   Source Code Escrow - Reserved

2.163   Rights in Data
(a)   The State will be and remain the owner of all data made available by the State to Contractor or its agents, Subcontractors or representatives pursuant to 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
If applicable and necessary, all Standard Software used in performing the Services shall be provided to the State under a separate license agreement between the State and the owner (or authorized licensor) of such software. Standard Software to be licensed to the State is listed in **Exhibit C**.

2.166   Pre-existing Materials for Custom Software Deliverables

Neither Contractor nor any of its Subcontractors shall incorporate any preexisting materials (including Standard Software) into Custom Software Deliverables or use any pre-existing materials to produce Custom Software Deliverables if such pre-existing materials will be needed by the State in order to use the Custom Software Deliverables unless (i) such pre-existing materials and their owners are identified to the State in writing and (ii) such pre-existing materials are either readily commercially available products for which Contractor or its Subcontractor, as the case may be, has obtained a license (in form and substance approved by the State) in the name of the State, or are materials that Contractor or its Subcontractor, as the case may be, has the right to license to the State and has licensed to the State on terms and conditions approved by the State prior to using such pre-existing materials to perform the Services.

2.167   General Skills

Notwithstanding anything to the contrary in this Section, each party, its Subcontractors and their personnel shall be free to use and employ its and their general skills, know-how and expertise, and to use, disclose and employ any generalized ideas, concepts, know-how, methods, techniques or skills gained or learned during the course of performing the Services, so long as it or they acquire and apply the foregoing without disclosure of any confidential or proprietary information of the other party.

2.170   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 (2) 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.

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

(n)   It is not in material default or breach of any other contract or agreement that it may have with the State or any of its departments, commissions, boards, or agencies. Contractor further represents and warrants that it has not been a party to any contract with the State or any of its departments that was terminated by the State or such department within the previous five (5) years for the reason that Contractor failed to perform or otherwise breached an obligation of such contract.

2.172   Software Warranties
(a)   <u>Performance Warranty</u>

The Contractor represents and warrants that Deliverables, after Final Acceptance, will perform and operate in compliance with the requirements and other standards of performance contained in this Contract (including all descriptions, specifications and drawings made a part of the Contract) for a period of 90 days. In the event of a breach of this warranty, Contractor will promptly correct the affected Deliverable(s) at no charge to the State.

(b)   <u>No Surreptitious Code Warranty</u>

The Contractor represents and warrants that no copy of licensed Software provided to the State contains or will contain any Self-Help Code or any Unauthorized Code as defined below. This warranty is referred to in this Contract as the "No Surreptitious Code Warranty."

As used in this Contract, "Self-Help Code" means any back door, time bomb, drop dead device, or other software routine designed to disable a computer program automatically with the passage of time or under the positive control of a person other than the licensee of the software. Self-Help Code does not include Software routines in a computer program, if any, designed to permit an owner of the computer program (or other person acting by authority of the owner) to obtain access to a licensee's computer system(s) (e.g. remote access via modem) for purposes of maintenance or technical support.

As used in this Contract, "Unauthorized Code" means any virus, Trojan horse, spyware, worm or other Software routines or components designed to permit unauthorized access to disable, erase, or otherwise harm software, equipment, or data; or to perform any other such actions. The term Unauthorized Code does not include Self-Help Code. Unauthorized Code does not include Software routines in a computer program, if any, designed to permit an owner of the computer program (or other person acting by authority of the owner) to obtain access to a licensee's computer system(s) (e.g. remote access via modem) for purposes of maintenance or technical support.

In addition, Contractor will use up-to-date commercial virus detection software to detect and remove any viruses from any software prior to delivering it to the State.

(c)   Calendar Warranty

The Contractor represents and warrants that all software for which the Contractor either sells or licenses to the State of Michigan and used by the State prior to, during or after the calendar year 2000, includes or shall include, at no added cost to the State, design and performance so the State shall not experience software abnormality and/or the generation of incorrect results from the software, due to date oriented processing, in the operation of the business of the State of Michigan.

The software design, to insure calendar year rollover compatibility, shall include, but is not limited to: data structures (databases, data files, etc.) that provide 4-digit date century; stored data that contain date century recognition, including, but not limited to, data stored in databases and hardware device internal system dates; calculations and program logic (e.g., sort algorithms, calendar generation, event recognition, and all processing actions that use or produce date values) that accommodates same century and multi-century formulas and date values; interfaces that supply data to and receive data from other systems or organizations that prevent non-compliant dates and data from entering any State system; user interfaces (i.e., screens, reports, etc.) that accurately show 4 digit years; and assurance that the year 2000 shall be correctly treated as a leap year within all calculation and calendar logic.

(d)   Third-party Software Warranty

The Contractor represents and warrants that it will disclose the use or incorporation of any third-party software into the Deliverables. At the time of Delivery, the Contractor shall provide in writing the name and use of any Third-party Software, including information regarding the Contractor's authorization to include and utilize such software. The notice shall include a copy of any ownership agreement or license that authorizes the Contractor to use the Third-party Software.

2.173   Equipment Warranty
To the extent Contractor is responsible under this Contract for maintaining equipment/system(s), Contractor represents and warrants that it will maintain such equipment/system(s) in good operating condition and will undertake all repairs and preventive maintenance in accordance with the applicable manufacturer's recommendations for the period specified in this Contract.

The Contractor represents and warrants that the equipment/system(s) shall be in good operating condition and shall operate and perform to the requirements and other standards of performance contained in this Contract, when installed, at the time of Final Acceptance by the State, and for a period of one (1) year commencing upon the first day following Final Acceptance.

Within one business day of notification from the State, the Contractor shall adjust, repair or replace all equipment that is defective or not performing in compliance with the Contract. The Contractor shall assume all costs for replacing parts or units and their installation including transportation and delivery fees, if any.

The Contractor shall provide a toll-free telephone number to allow the State to report equipment failures and problems to be remedied by the Contractor.

The Contractor agrees that all warranty service it provides under this Contract shall be performed by original equipment manufacturer (OEM) trained, certified and authorized technicians.

The Contractor shall act as the sole point of contact for warranty service. The Contractor warrants that it shall pass through to the State any and all warranties obtained or available from the original equipment manufacturer, including any replacement, upgraded, or additional equipment warranties.

2.174   Physical Media Warranty

(a)   Contractor represents and warrants that each licensed copy of the Software provided by the Contractor is free from physical defects in the media that tangibly embodies the copy. This warranty does not apply to defects discovered more than 30 days after that date of Final Acceptance of the Software by the State. This warranty does not apply to defects arising from acts of Excusable Failure. If the Contractor breaches this warranty, then the State shall be entitled to replacement of the non-compliant copy by Contractor, at Contractor's expense (including shipping and handling).

2.175   DISCLAIMER

THE FOREGOING EXPRESS WARRANTIES ARE IN LIEU OF ALL OTHER WARRANTIES AND EACH PARTY EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, BY OPERATION OF LAW OR OTHERWISE, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

2.175   Standard Warranties

(a)   Warranty of Merchantability
Deliverables shall be merchantable. All Deliverables shall be of good quality within the description given by the State, shall be fit for their ordinary purpose, shall be adequately contained and packaged within the description given by the State, shall conform to the agreed upon specifications, and shall conform to the affirmations of fact made by the Contractor on the container or label.

(b)   Warranty of fitness for a particular purpose
When Contractor has reason to know or knows any particular purpose for which the Deliverables are required, and when the State is relying on the Contractor's skill or judgment to select or furnish suitable Deliverables, the Contractor warranties that the Deliverables are fit for such purpose.

(c)   Warranty of title
Contractor shall convey good title in those Deliverables, whose transfer is right and lawful. All Deliverables provided by Contractor shall be delivered free from any security interest, lien, or encumbrance. Deliverables shall be delivered free of any rightful claim of any third person of ownership, interest, lien or encumbrance.

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.

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 the applicable coverage is provided by a self-insurer, proof must be provided of approved self-insured authority by the jurisdiction of domicile. For employees working outside of the state of qualification, Contractor must provide appropriate certificates of insurance proving mandated coverage levels for the jurisdictions where the employees' activities occur.

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

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

☑   4.   Employers liability insurance with the following minimum limits:

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

☑   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 hundred fifty million dollars ($150,000,000.00) with a maximum deductible of fifty million dollars ($50,000,000.00).

☐   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 the 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 insureds under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

Contractor shall maintain all required insurance coverage throughout the term of 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 (3) years following the expiration or termination for any reason of this Contract. The minimum limits of coverage specified above are not intended, and shall not be construed, to limit any liability or indemnity of Contractor under this Contract to any indemnified party or other persons. Contractor shall be responsible for all deductibles with regard to such insurance. If Contractor fails to pay any premium for required insurance as specified in this Contract, or if any insurer cancels or significantly reduces any required insurance as specified in this Contract without the State's written consent, at the State's election (but without any obligation to do so) after the State has given Contractor at least 30 days written notice, the State may pay such premium or procure similar insurance coverage from another company or companies; and at the State's election, the State may deduct the entire cost (or part thereof) from any payment due Contractor, or Contractor shall pay the entire cost (or any part thereof) upon demand by the State.

2.190   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 tortuous acts of the Contractor or any of its subcontractors, or by anyone else for whose acts any of them may be liable.
(b)   Code Indemnification
To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from any claim, loss, or expense arising from Contractor's breach of the No Surreptitious Code Warranty.
(c)   Employee Indemnification
In any and all claims against the State of Michigan, its departments, divisions, agencies, sections, commissions, officers, employees and agents, by any employee of the Contractor or any of its subcontractors, the indemnification obligation under 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 ten (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 ten (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

The Contractor's liability for damages to the State shall be limited to two (2) times the value of the Contract or $200,000 which ever is higher. The foregoing limitation of liability shall not apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of this Contract; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

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

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

2.202   Excusable Failure

Neither party will be liable for any default, damage or delay in the performance of its obligations under 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 ten (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.

Comerica is regulated by the Federal Banking Agencies that have approved its disaster recovery plan. Disaster Recovery plan will not provide one customer priority over another.

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 (including a Chronic Failure to meet any particular SLA as defined in **Section 2.076**), which are either not capable of or subject to being cured, or are not cured within the time period specified in the written notice of breach provided by the State (such time period not to be less than 30 days), or pose a serious and imminent threat to the health and safety of any person, or the imminent loss, damage or destruction of any real or tangible personal property, the State may, having provided written notice of termination to Contractor, terminate this Contract in whole or in part, for cause, as of the date specified in the notice of termination.

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

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

(d)   In the event this Contract is terminated for cause pursuant to this Section, and it is determined, for any reason, that Contractor was not in breach of 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.

(e)   If the State fails to fund ACH files within one (1) business day of the settlement date, the Contractor may withhold ACH Service until the State has paid the Contractor in full for all amounts due and payable under the terms of the contract."

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.

By 3:00 p.m. Detroit, MI time, on the effective date of Termination of this Contract, the Bank shall no longer process any ACH files received from the State pursuant to the terms of this Contract. Files received before 3:00 p.m. may be processed by Comerica in accordance with the terms of this Agreement. The State may request and Comerica may attempt to stop the process of ACH files received prior to 3:00 p.m. but the Bank makes no such guarantee regarding its ability to stop the processing of such files. The State is in the best position to know when it is terminating the Contract and cease sending files to the Bank that it does not wish to be processed.
(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. The State will pay Comerica for any outstanding amounts including interest owed at the Federal Funds Rate in effect for the period involved for unfunded ACH transactions.
(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 Contractors, 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 Contractors. 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.

(d)   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.

(e)   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) at the rates specified by **Article 1, Attachment C**. 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 thirty (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

2.231   Stop Work Orders

The State may, at any time, by written stop work order to Contractor, require that Contractor stop all, or any part, of the work called for by the Contract for a period of up to 90 calendar days after the stop work order is delivered to Contractor, and for any further period to which the parties may agree. The stop work order shall be specifically identified as such and shall indicate that it is issued under this **Section 2.230**. Upon receipt of the stop work order, Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the stop work order during the period of work stoppage. Within the period of the stop work order, the State shall either: (a) cancel the stop work order; or (b) terminate the work covered by the stop work order as provided in **Section 2.210**.

2.232   Cancellation or Expiration of Stop Work Order

If a stop work order issued under this **Section 2.230** is canceled or the period of the stop work order or any extension thereof expires, Contractor shall resume work. The parties shall agree upon an equitable adjustment in the delivery schedule, the Contract price, or both, and the Contract shall be modified, in writing, accordingly, if: (a) the stop work order results in an increase in the time required for, or in Contractor's costs properly allocable to, the performance of any part of the Contract; and (b) Contractor asserts its right to an equitable adjustment within 30 calendar days after the end of the period of work stoppage; provided that, if the State decides the facts justify the action, the State may receive and act upon a Contractor proposal submitted at any time before final payment under the Contract. Any adjustment will conform to the requirements of **Section 2.106.**

2.233   Allowance of Contractor Costs

If the stop work order is not canceled and the work covered by the stop work order is terminated for reasons other than material breach, such termination shall be deemed to be a termination for convenience under **Section 2.212**, and the State shall allow reasonable costs resulting from the stop work order in arriving at the termination settlement. For the avoidance of doubt, the State shall not be liable to Contractor for loss of profits because of a stop work order issued under this **Section 2.230**.

2.240   Reserved

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.

Comerica will meet on a quarterly basis to discuss performance.

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.

Comerica agrees to comply with Rule 2-20 and 1-8.3 except to the extent that these Rules conflict with Comerica's Human Resource Policies and provided such conflicting Comerica policies do not violate any law or regulation to which Comerica would be subject notwithstanding this Contract. In addition, the Contractor will review any Civil Service regulations and applicable agency rules that the State specifically advises and requires compliance by Comerica; however, if Comerica is not willing or able to comply, the State may terminate this Contract for convenience without penalty but Comerica shall not be deemed in breach of this Contract.

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 the Purchasing Operations.
       (2)   Contractor shall also notify the 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

2.281   Environmental Provision

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

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

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

(c)   Once the Hazardous Material has been removed or rendered harmless by the State, the affected Work shall be resumed as directed in writing by the State. Any determination by the Michigan Department of Community Health and/or the Michigan Department of Environmental Quality (whichever is applicable) that the Hazardous Material has either been removed or rendered harmless shall be binding upon the State and Contractor for the purposes of resuming the Work. If any such incident with Hazardous Material results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in **Section 2.076** for a time as mutually agreed by the parties.

(d)   If the Hazardous Material was brought to the site by the Contractor, or results in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Material, or from any other act or omission within the control of the Contractor, the Contractor shall bear its proportionate share of the delay and costs involved in cleaning up the site and removing and rendering harmless the Hazardous Material in accordance with Applicable Laws to the condition approved by applicable regulatory agency(ies). If the Contractor fails to take appropriate action pursuant to Applicable Laws and consistent with the State requirements, then the State may take appropriate action.

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.
(c) Regarding mergers, notwithstanding any provision in this Contract to the contrary, it shall not be deemed an assignment of the Contract obligations, liabilities or rights in the event that Comerica is acquired and is not the successor in interest.

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):
Name Comerica Bank- Laura Branchick
500 Woodward Ave
Detroit, MI 48275

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 1, Attachment D** 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, including the taxes defined in Section 3.022 for all persons involved in the resulting Contract.

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

2.306   Prevailing Wage

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

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

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

2.307   Call Center Disclosure

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

Each party consents to the recording of calls made to Comerica's call center provided notice of recording or monitoring is given to the party making the telephone call prior to the call being recorded or monitored.

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 Contractor offering free assistance) to gain a leading edge on the competitive RFP.

2.310   Reserved

2.320   Extended Purchasing

2.321   MiDEAL

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

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

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

2.322   Reserved

2.330   Federal Grant Requirements

2.331   Reserved

Appendices

A	Principal or Branch Office
B	State Deposit Limit
C	Daily Processing Schedule
D	Deposits of State Funds and Collateral Requirements
E	EDI Capable Questionnaire
F	Reserved
G	FY2005 ACH Revenue Program Volume
H	Financial EDI Implementation Guide at X12 Version/Release 4010
I	Implementation Guideline for FEDI 829 Cancellations
J	Reserved
K	DNR File Specifications
L	MLCC File Specifications
M	Treasury Collection File Specifications
N	Confirmation Data Page Example
O	Contractor, Contractor, or Subcontractor Confidentiality Agreement
P	Glossary of Agency Terms
Q	Incident Report
R	Work Plan for Encrypting ACH Revenue Transmissions

Appendix A

PRINCIPAL OR BRANCH OFFICE
ACT NO. 35
PUBLIC ACTS OF 1997

STATUTORY JOINT ACCOUNT ACT (EXCERPT)

Act 53 of 1978

487.714 Additional definitions.

Sec. 4. (a) "Financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this state under the laws of this state or the United States.

(b) "Person" means an individual, corporation, partnership, association, governmental entity, or any other legal entity.

History: 1978, Act 53, Imd. Eff. Mar. 9, 1978 ;--Am. 1997, Act 35, Imd. Eff. June 30, 1997.

<u>Appendix B</u>

STATE DEPOSIT LIMIT
CONSTITUTION OF MICHIGAN OF 1963
ARTICLE IX, FINANCE AND TAXATION

MCL Const.9.20

ß 20 Deposit of state money in certain financial institutions; requirements.

Sec. 20. No state money shall be deposited in banks, savings and loans associations, or credit unions, other than those organized under the law of this state or federal law. No state money shall be deposited in any bank, savings and loan association, or credit union, in excess of 50 percent of the net worth of the bank, savings and loan association, or credit union. Any bank, savings and loan association, or credit union, receiving deposits of state money shall show the amount of state money so deposited as a separate item in all published statements.

History: Const. 1963, Art. IX, ß20, Eff. Jan. 1, 1964;--Am. H.J.R. GG, approved Nov. 7, 1978, Eff. Dec. 23, 1978.
Former Constitution: See Const. 1908, Art. X, ß15.

Appendix C

DAILY PROCESSING SCHEDULE
 Daily Processing Schedule

While we have listed the normal processing schedule, restarts or late transmissions could be after 3:00 a.m. All the file transfers to and from the ODFI must be completed by 10:45 a.m.

Normal Weekly Flow

Days of the Week – MAIN Runs Batch Process In the Evening	Files Sent to ODFI(s) (between 12:00 a.m. and 3:00 a.m.)*	Day ODFI Processes and Forwards Files to Federal Reserve	File Settlement Day
Monday	Tuesday	Tuesday	Thursday
Tuesday	Wednesday	Wednesday	Friday
Wednesday	Thursday	Thursday	Monday
Thursday	Friday	Friday	Tuesday
Friday	Saturday	Monday	Wednesday

Daily Flow

State Generated Transaction Sets		ODFI Acknowledgment	
Transaction Sets	Time Sent	Transaction Sets	Time Sent
820	12:00AM – 3:00AM*	824, 997	By 5:00AM
831	By 9:00AM	824, 997	By 9:30AM
829	By 10:15AM	824, 997	By 10:40AM
ODFI Generated Transaction Sets		**State Acknowledgment**	
824, 827	824 – See times specified above 827 – By 9:30AM	997	Within one half hour of receipt

* This file may be sent before 12:00AM depending on the nightly batch size.

Clarification Dated February 2, 2007

Can Comerica meet the same timeframes/service level response times described in the EFT: Flow of EDI Transactions for all transactions (section 1.101, page 18 and Appendix C [Daily Processing Schedule])? If not, outline the response times that can be met?

Comerica's Response:

Comerica can meet the timeframes and service level requested in section 1.101, page 18 and Appendix C of the RFP

<u>Appendix D</u>

Bulletin BT-10001
Deposits of State Funds and Collateral Requirements

Appendix E
EDI CAPABLE QUESTIONNAIRE

This questionnaire was provided by The Financial Electronic Commerce Council. Please review carefully as some questions have been revised or omitted by the State of Michigan.

I.   BANK BACKGROUND

The questions in this section will enable the company to better understand and evaluate the financial institutions

in terms not directly related to the EDI services offered, but as business entities.

SAFETY AND SOUNDNESS

1.   Identify key measures of the bank's financial strength, e.g., capital ratios, market capitalization, total assets.

There are many criteria to be considered when selecting a bank as a provider of your treasury management services. One of the most important is the bank's financial strength and stability.

Comerica Bank is one of the largest and strongest banks in the United States. Key financial data as of September 30, 2006:

- **$58.474 billion in total assets**
- **370 full-service banking centers and 536 ATMs in the U.S.**
- **#555 on the Fortune 1000 list of largest U.S. companies**
- **#416 on the Forbes 2000 list of the world's leading companies**
- **Among the 25 largest U.S. banking companies**
- **Among the top 10 in commercial loans and top 20 in small business loans**
- **8th largest SBA 7(a) lender in the nation**
- **Among the top 10 EximBank working capital lenders in U.S.**
- **Common Shareholders Equity of $5.203 billion**
- **ROE 15.38%**
- **$594 million in net income**
- **Established in 1849**

I have enclosed a copy of our 2005 Annual Report for your reference. You can also review it online through our website at www.comerica.com by clicking on Investor Relations/Financial Reports. I invite you to learn more about our full service capabilities online as well.

Comerica Bank has the financial strength and stability to support your treasury management and banking needs, both now and into the future.

2. Provide ratings for the bank and/or bank holding company from two of the following agencies: Standard & Poor's, Moody's, Thomson BankWatch, Sheshunoff, or Lace. Include ratings for: [Customer to specify: e.g., senior debt, subordinated debt, long-term deposit].

II.

The questions in section will enable the company to understand evaluate the financial

ORIG

this

and

RATING AGENCY	BANK DEPOSIT SHORT	BANK DEPOSIT LONG	LONG TERM DEBT SENIOR	LONG TERM DEBT SUB.	BANK NOTES SHORT	BANK NOTES LONG
MOODY'S	**P-1**	**A1**	**A1**	**A2**	**P1**	**A1**
S & P	**A-1**	**A**	**A**	**A-**	**A-1**	**A**
TBW	**TBW-1**		**AA-**	**A+**		**AA-**

institutions' capabilities and services with respect to originating payments and remittance detail from the company to its trading partners.

1. For the customer input methods listed below, indicate which of the following payment formats the bank accepts.

Customer Input Methods	Formats Accepted From Customer							
	ASCX12		NACHA			EDIFACT	S.W.I.F.T.	Other: (Custom File)
	820	835	CCD	CCD+	CTX			
Mainframe Transmission	X		X	X	X			X
PC Transmission	X		X	X	X			X
VAB/VAN	X		X	X	X			X
On-Line Balance/Information Reporting System			X	X	X		X	
Tape/Cartridge								
Diskette								
Paper							X	
Other: (Custom File)							X	

2.   For the customer formats accepted as listed below, indicate which payment types the bank is currently able to originate.

Formats Accepted From Customer	Payment Types Originated By Bank										
	ASCX12		NACHA			Check	Fedwire	EDIFACT	S.W.I.F.T.	CHIPS	Other:
	820	835	CCD	CCD+	CTX						
CCD	X		X								
CCD+	X		X	X	X						
CTX	X		X	X	X						X
ASC X12 820	X		X	X	X						
ASC X12 835											
EDIFACT											
S.W.I.F.T.	X						X		X		X
Other:	X		X	X	X						X

3.   Indicate which payment networks the bank employs to originate payments:

☐   ACH   **Yes**
☐   Fedwire   **Yes**
☐   CHIPS
☐   EDIBANX
☐   S.W.I.F.T.   **Yes**
☐   Other: _____

4.   For each network listed in questions II. #3, describe the cut-off times in relation to settlement/value date, and the procedures and time frames for deletion and cancellation of payment orders.

File Delivery	Settlement	Deletion/Cancel Orders
ACH	**3:00 PM ET Next Day**	**7:00 PM ET**
Fedwire	**4:30 PM ET Same Day**	**NA**
SWIFT	**4:30 PM ET Value Date**	**NA**

5.   Describe the bank's ability to accept and process a mixed payment file (e.g., single input with wires, ACH, and/or check output).

Our Consolidated Payables product is currently in development and scheduled for implementation at the end of the first quarter in 2007. This new functionality will receive your single input file and create ACH, wire transfer, and/or check payments with any associated remittance detail.

6.   Describe the bank's ability to warehouse payment orders. Is there a charge for warehousing? If there is a charge, what is it based on (e.g. $X for each day after day 10 etc.).

Payment orders can be warehoused up to thirty (30) calendar days. There is no charge for warehousing.

7.   Indicate how the bank determines which payment type and remittance detail delivery method used to originate payments:

        Bank Determines RDFI Capability
X   Bank Acts On Customer Instructions (e.g., by means of the Payment Method Code [BPR04])
X   Bank Maintains a Receiving Company Database
        Other

8.   Describe the bank's ability to originate Federal and state electronic tax payments.

We offer several product solutions for the origination of tax payments: Comerica TM Connect Web, Comerica TM Connect Desktop, Direct Transmission, or our Comerica Tax Pay product, which is specifically designed for Federal and state tax payments via the web or touch tone telephone.

9.   Describe the bank's ability to originate ACH multi-currency and international ACH payments with remittance information. List the countries you can originate ACH transactions to.

Cross-border ACH transactions to Canada in either U.S. or Canadian currency can be originated through our Direct Transmission, TM Connect Web, or TM Connect Desktop products. All other cross-border multi-currency transactions are processed through the SWIFT and Fedwire networks.

10.   Discuss how daylight overdraft limits might impact your bank's processing of EDI payments. (Please note: In our opinion, under this RFP, only our concentration bank, Bank One, Michigan, could potentially experience a daylight overdraft).

We closely monitor our overall daylight overdraft position to ensure that we take all scenarios into consideration and not cause delays.

III.   IMPLEMENTATION

The questions in this section will enable the company to assess the financial institutions' implementation processes for EDI services. These questions primarily pertain to EDI origination services, as the implementation of origination services for a company is more complex than that of receipt services.

1.   Please provide a detailed description of your EDI implementation and testing processes and a sample implementation schedule. Identify and describe any training which may be needed by our company.

The implementation process begins with the receipt of completed implementation documents submitted by you to Treasury Management. Documents are then reviewed for accuracy and electronically submitted to the Electronic Services Group for implementation. All members of the Treasury Management team have the ability to monitor the progress of the request on-line. After the setup is completed by Electronic Services, Treasury Management will schedule any necessary software installations and product training directly with you. Direct transmission services require the additional support of our Information Systems group. A technical contact is assigned to each implementation and will contact you to test file formats and communications. After all testing is successful, the implementation is complete.

2.   What is the lead time for EDI implementation you anticipate for the State of Michigan? What are the critical factors which may impact that lead time? (Please be specific).

Implementation Lead Times

Standard Receipt	**30 – 45 days**
Custom Receipt	**45 – 90 days**
Standard Origination	**30 – 45 days**
Custom Origination	**90 – 120 days**

Critical factors that may impact these lead-times include incomplete documentation, difficulty in establishing successful communications, file formats, system specifications that do not meet the minimum requirements of the product, or extensive testing.

3.   You will be required to supply an implementation team. Describe the support provided during implementation to include training, technical assistance, user manuals, and on-site meetings.

At Comerica, we understand how important the implementation phase is to your success, so we devise and implementation plan to provide you with the extra support that you require. This includes organizing an implementation team composed of your Relationship Officer, Treasury Management Officer, and Treasury Management Administrator. The team may also include members of other departments. The specific support tools vary depending on the complexity of the implementation and individual customer needs, but can include training services, installation services, technical assistance, conference calls, and on-site visits. User and reference guides are also provided.

4.   Please provide a sample copy of your bank's EDI customer agreement. Include copies of agreements for ACH, wire transfer, etc. as appropriate to EDI. However, the State's Terms and Conditions in the RFP will be the contractual terms.

All of the above services are implemented with the State of Michigan. No agreements are needed.

5.   Do you require or recommend the use of prenotifications prior to the transmission of live ACH payments? If so, how long in advance of a live transaction must a prenotification be sent?

Although pre-notifications are no longer mandated by NACHA rules, we continue to encourage the use of prenotes in consumer applications to verify the accuracy of initial account information. Prenotes are recommended for corporate transactions, but not as critical as the need with consumer transactions. If you send pre-notifications, the NACHA Rules require them to be sent at least six banking days before the live transaction.

IV.   AUDIT, SECURITY & CONTROL

These questions will enable the company to evaluate the audit, security and control capabilities and practices

that the financial institutions employ for their EDI origination and receipt processing.

1.   Indicate which methods of transmission security the bank currently supports.

Security Methods	Mainframe	PC	VAB/VAN	Other:
Hardware-Based Data Encryption	X			
Software-Based Data Encryption	X	X	X	
Hardware-Based Message Authentication	X			
Software-Based Message Authentication	X	X	X	
Automatic Call/Dial Back				
Other: Transmittal	X	X	X	

2.   If any method of transmission security listed in question IV. #1 requires originator hardware/software, please describe.

If a standard ANSI EDI format is utilized to facilitate processing, any Des software that follows the standard ANSI encryption/authentication rules can be used by our customers at their site.

3.   Indicate which acknowledgment and control features the bank supports:

X   ASC X12 997 Functional Acknowledgment
X   ASC X12 824 Application Advice
X   ASC X12 831 Control Totals
☐   Other: _____

4.   Describe the bank's procedures for tracing payments and remittance detail after release for each of the payment mechanisms that the bank uses.

We request that you complete a standard research request form to request a trace. This form is submitted to our Electronic Services Group with specific information related to the ACH payment in question. The Electronic Services Representative will first verify that the item has not been returned to Comerica. If the item has been previously returned to you, we will note the return date on the form, notify you, and the research request will be closed. If the payment has not been returned, we will contact the RDFI to determine if the payment has posted. If it has been posted, we will notify the originator of the request, and the request will be closed. If the payment was not posted, a trace will be initiated with our ACH Agent. The ACH Agent will provide us with the file identifier and file totals on which the payment was sent to the RDFI. The RDFI will then be contacted and provided with the results of the trace by the ACH Agent and an immediate credit to the Receiver will be requested. You will be notified of trace results within five business days of the request.

5.   Describe the controls the bank has in place to protect data integrity, ensure that payment files are not duplicated or lost, verify data syntax, etc., via means such as editing, audits, and control procedures.

We offer two separate levels of controls, one within the EDI processing application and the other within the ACH processing application. The EDI application performs a syntax edit on the 820 file immediately upon receipt and processing. Syntactically incorrect items are rejected, corrected, and resubmitted for processing. The ACH application performs an edit on the ABA routing transit number against the FED Composite Receiver File for validation to membership code. All necessary edits are performed to ensure NACHA standards and controls are met. The duplicate file controls in the EDI application include the file sequence number, application batch number, and dollar amount of the file, character count, and number of transactions on the file. These edits can be used in any combination or all together to protect the originator from processing a duplicate file through Comerica. In the ACH application, files are suspended after critical data matches against a thirty day file history database are performed.

Specify: Edits used with the 820, 835 transaction sets. How do you handle errors in an 820 and 835 transaction set? Do you process all error free items? Are individual errors listed on the 824? Do these errors need to be corrected and resubmitted by the State?

In addition to the duplicate file edits listed above, the 831 application control transaction set is used to add a measure of dual control. This transaction set can be sent together with the payment order (820 and 835), or at a different time, or from a different source. The purpose of the 831 control is to verify the total of the file and approve the file for release. Errors found in the 820 or 835 are reported in the 824. All error free items are processed. The 824 transaction set will list the successful transactions as well as any failed transactions at the individual payment level. You must correct any transactions that have failed and send them again for successful payment origination.

6.   What measures has the bank undertaken to detect or prevent fraud for EDI payments? Please specify what tools are used to detect EDI fraud. What has been the bank's experience with fraud in this area?

Comerica ACH Positive Pay is a new and unique online solution designed to provide optimal fraud protection and information management capabilities for ACH (Automated Clearing House) transactions. This positive pay system is the first of its kind and offers complete monitoring and timely control over your company's ACH activity. Unlike other methods for credit and debit management which require manual reconciliation after posting, Positive Pay provides you with the ability to review incoming ACH items and accept or reject them before they actually post to your account. If a suspect item appears, you may reject it and it will be returned through the ACH Network as unauthorized, providing invaluable peace of mind and protection against fraud. In addition, Comerica ACH Positive Pay is secure and convenient to use. Simple access via TM Connect Web lets you review the items awaiting acceptance for posting. If you choose to accept the item, it will be sent to Comerica's demand deposit system for posting that night.

We have not experienced any fraud related to EDI payments.

7.   Describe the hardware, software and physical/data security supporting your bank's EDI processing. If encryption is described, specify if it is hardware or software encryption. Are any activities outsourced to third parties?

Our EDI processing environment consists of Sterling Commerce Vector Connexion software, which is a mainframe DB2 CICS package and processes up through the ANSI 4030 version. User access (security) is controlled by CICS transaction code, and User setup within Connexion where IDs are entered and granted either update or browse authority. System access is controlled via User ID and password protection. Further safeguards include the usage of separate development and production environments. Comerica's Operations Centers are secured environments. They are controlled by Bank Security Personnel in addition to security access cards that are issued and controlled by Bank Security. Access to computer and communication systems are further restricted by additional magnetic coding for each unique processing environment. No EDI related processing activities are outsourced to third parties.

8.   What historical/archival policies and procedures does the bank maintain for payments and remittances?

The EDI application maintains a thirty day history file on line. The ACH application maintains a ten day history file on line. After the application's on line historical period has elapsed, we archive all payment and remittance information for a full seven year period.

V.   EXPERIENCE & CUSTOMER SUPPORT

The questions in this section will enable the company to evaluate the financial institutions' experience in EDI and the customer support they provide for EDI services.

1.   Discuss the bank's commitment to EDI in terms of strategy, capital investment and internal programs. Specify if your bank utilizes EDI for its own procurement payment process etc. How does the bank assess the future demand for EDI?

As part of its strategic directive, Comerica is committed to the expansion, development and implementation of Electronic Commerce products and services. We will make required capital investments as business opportunities are presented and supported with a solid case study. We utilize EDI to originate settlement of our Purchasing and Corporate Cards. We believe that the future growth of traditional treasury products will be stimulated by an aggressive growth rate in EDI and other electronic product initiatives.

2.   Does your bank have an active EDI user group? If so, please provide details of this group. (This question relates to an EDI user group for your bank, not industry groups).

Yes, we have an active internal EDI user group that meets bi- weekly as an information sharing forum between our Product, Operations, and Information Services departments. This forum is used to discuss new business opportunities, in-process implementations, system enhancements, process improvement opportunities, and to share industry and market information. We also have three members serving on committees within The Payments Authority (the Michigan ACH & EDI Association). They are: The Board of Directors, the Marketing Committee, and the Operations Committee. Additionally, two Comerica team members reside on the Commerce Connexion Advisory Group (CCAG). CCAG is a User Group formed to advise Sterling Commerce, EDI Mainframe/PC application software provider, of the current and future needs of their customer base.

3.   How do you advise customers of NACHA rules changes and their implications?

We take a proactive approach in ensuring our services are always compliant with NACHA Rules. We accomplish this is by staying actively involved in various NACHA organizations and by monitoring NACHA publications. Whenever there is a rule change, our product managers are responsible for modifying or updating our products and services, as necessary, to remain compliant. Upon implementation of your ACH origination service, we provide you with the latest publication of the NACHA Rules. This publication is updated annually and future editions are available to you upon request. Whenever there is a rule change that affects you, we will notify you and explain how the change impacts the way you originate your ACH transactions.

4.   On which ANSI, NACHA or other industry committees does your bank serve (e.g., Bankers EDI Council, ASC X12, etc.)?

No bank can be a leader in its field if it is not actively involved in its industry. At Comerica Bank, we believe our involvement in NACHA gives us important insight into marketing trends and opportunities that affect our customers. Comerica is actively involved in the Payments Authority, an ACH association where personnel participate in the Marketing, Operations, and Rules committees. We are also a member of the Electronic Payments Network (EPN).

5.   Describe EDI initiatives that the bank currently has for other customers that you feel represent noteworthy accomplishments or innovative approaches.

Comerica is currently in the development stage of an exciting new EDI Origination Service option that will provide our customers with an end-to-end ACH payment and advice reporting solution. This new option will provide a secure web based remittance advice reporting solution, to our customers' authorized Receivers, to access and retrieve the payment advice information needed to update their Accounts Receivable systems, at no cost to the Receivers.

This new EDI Service option will assist our customers in promoting and expanding their electronic payment programs. By offering this additional feature, our customers will gain additional penetration into their existing bases and benefit from the efficiencies these programs will provide.

<div align="center">VI.   GENERAL</div>

The questions in this section will enable the company to understand the financial institutions' general

processing capabilities for EDI origination and receipt.

1.   Please provide a listing of all ASC X12 transaction sets and versions of each that your bank supports.

Comerica has the capability to support any ASC X12 version (4010, 4020, 4030), or any approved ASC X12 transaction set.

ASC X12 transaction sets currently being utilized by Comerica customers:

> **820 - Payment Order/Remittance Advice**
> **821 - Financial Information Reporting, Daily Paid Items**
> **822 - Customer Account Analysis**
> **823 - Lockbox**
> **824 - Application Advice**
> **827 - Financial Return Notice**
> **828 - Issue Files, Stop Payment Orders**
> **829 - Payment Cancellation Request**
> **831 - Application Control Totals**
> **997 - Functional Acknowledgment**

2.   With which Value Added Networks (VANs) does your bank currently maintain relationships? List and describe the VAB/VAN services your bank offers, such as receipt, storage, and transmission of non-payment information. Distinguish between those services your bank provides directly and those services which are provided through an affiliation with a third party.

We are capable of communicating with any Value Added Network (VAN). Comerica's VAN is General Electric Information Services Company (GEIS). Interconnection to our customers' VAN of choice is facilitated through GEIS. We only utilize our VAN as an electronic mailbox. All other EDI services are provided directly by us.

The following subcontractors are currently involved with the Originating Depository Financial Institution (ODFI) program which Comerica is the current provider for the State of Michigan.

Electronic Payments Network:

Comerica will use Electronic Payments Network (EPN) as an ACH Operator.

Firm Name:	Electronic Payments Network
Address:	1500 Harbor Blvd.
	Weehawken, NJ 07086
Contact:	Frank Sardina
	201-319-5402

AT&T Global Network Services

Comerica has outsourced the management of network administration and circuit management to AT&T Global Network Services. The primary responsibility of the contractor is to proactively monitor Comerica's network and act quickly to minimize potential interruption of service. The contractor provides 24 hour a day, seven days a week support. The State will not manage this escalation. Any transmission failure that is reported by the State will be called into the Information Services support line and escalated by Comerica's Customer Service Engineer to AT&T Global Network Services as necessary. Problem management and resolution for the State will always be facilitated by Comerica employees to ensure customer support is maintained at its highest level.

Firm Name:	AT&T Global Network Services
Address:	3701 Hamlin Road
	Auburn Hills, Michigan
Contact:	Barb Glotzhober
	248-371-5903

Appendix F - Reserved

Appendix G - Reserved

Appendix H

Financial EDI Implementation Guides
at X12 Version/Release 4010

Note: See RFP File for Complete Document.

Appendix I

Implementation Guidelines for FEDI 829 Cancellations

Note: See RFP File for Complete Document.

Appendix J – Reserved

<u>**Appendix K**</u>

Department of Natural Resources
File Specifications

Appendix L

Michigan Liquor Control Commission
File Specifications

<table>
<tr><td colspan="7"><h3>RECORD DESCRIPTION</h3></td></tr>
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<tr><td colspan="3">FILE TYPE:</td><td colspan="2">HEADER ID: **File Header**</td><td colspan="2">SEQUENCE:</td></tr>
<tr><td colspan="2">RECORD SIZE: **94**</td><td colspan="2">BLOCKING FACTOR:</td><td>BLOCK SIZE:</td><td>FORMAT:</td><td>LABEL:</td></tr>
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INPUT TO:</td><td colspan="4">REMARKS: **b = Blank**   **TTTT = Fed Reserve #**
             C = Check Digit   AAAA = ABA Institution ID</td></tr>
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14	23	Immediate Origin	386000134	bTTTTAAAA		10
24	29	File Creation Date	SYSDATE	YYMMDD		6
30	33	File Creation Time	HHMI	HHMI		4
34	34	File ID Modifier 1.	1			1
35	37	Record Size	094	9(3)		3
38	39	Blocking Factor	10	9(2)		2
40	40	Format Code	1	9(1)		1
41	63	Immediate Destination Name 2.		VarChar		23
64	86	Immediate Origin Name 3.		VarChar		23
87	94	Reference Code	CCD FILE			8
		1. Is provided to permit multiple files created on the				
		day and between the same participants to be				
		Only UPPER case A-Z and numeric 0-9 are permitted.				
		2. COMERICA BANK				
		3. STATE OF MICH - LIQUOR				

PREPARED BY:		DATE:		TOTAL CHARACTERS:

RECORD DESCRIPTION

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BUREAU:			DIVISION:	
FILE TYPE:		HEADER ID: **Batch Header**		SEQUENCE:
RECORD SIZE: **94**	BLOCKING FACTOR:	BLOCK SIZE:	FORMAT:	LABEL:
OUTPUT FROM:			REMARKS:	
INPUT TO:				

FROM	TO	ACH DESCRIPTION	Default Value / Contents	FORMAT	LENGTH
01	01	Record Type Code	5	9(1)	1
02	04	Service Class Code	225	9(3)	3
05	20	Company Name 1. *	STATE OF MICH **ADA NBR**		16
21	40	Company Discretionary Data 2.	**NAME OF ADA**	9(20)	20
41	50	Company Identification 3.	**X**386000134		10
51	53	Standard Entry Class Code	CCD		3
54	63	Company Entry Description *	LIQUORSALE		10
64	69	Company Descriptive Date	SYSDATE	YYMMDD	6
70	75	Effective Entry Date		YYMMDD	6
76	78	Settlement Date (Julian)	Leave BLANK	Numeric	3
79	79	Originator Status Code	1	9(1)	1
80	87	Originating DFI Identification	07200009	TTTTAAAA	8
88	94	Batch Number		9(7)	7
		1. ADA NBR is found in the :	* Appears on Bank Statement		
		LCC_LL_BUSINESSES table.			
		2. We=ve added a code for each ADA.			
		- this is added in front of the ADA Name.			
		3. This will vary on the ADA.			

		A = J. LEWIS COOPER COMPANY		
		B = FABIANO BROTHERS. INC.		
		C = HENRY A. FOX SALES COMPANY		
		D = GENERAL WINE & LIQUOR		
		E = NWS MICHIGAN		
		F = CHINESE IMPORT		
		P = PRENOTE		

PREPARED BY:	DATE:	TOTAL CHARACTERS:

RECORD DESCRIPTION

FILE NAME: **ADAINV.DAT**	DATA NAME:	PAGE: **3** OF **5**

BUREAU:	DIVISION:

FILE TYPE:	HEADER ID: **Entry Detail**	SEQUENCE:

RECORD SIZE: **94**	BLOCKING FACTOR:	BLOCK SIZE:	FORMAT:	LABEL:

OUTPUT FROM:	REMARKS:

INPUT TO:

FROM	TO	ACH DESCRIPTION	Default Value / Contents	FORMAT	LENGTH
01	01	Record Type Code	6	9(1)	1
02	03	Transaction Code 1.		9(2)	2
04	11	Receiving DFI Identification	**ROUTING NUMBER** from Financial Institutions		8
12	12	Check Digit	Calculate field (see formula in Repository)	9(1)	1
13	29	DFI Account Number	**ACCOUNT NUMBER** from Eft Accounts		17
30	39	Amount	**INVOICE AMOUNT** from Eft Invoice		10
40	54	Identification Number 2.	STORE #and **INVOICE NUMBER** from Eft	VarChar	15
55	64	Receiving Company Name	**ID** from ADA Invoice	9(10)	10
65	66	Leave Blank	BLANK	VarChar	2
67	76	Receiving Company Name	**ID** from Financial Institutions	9(10)	10
77	78	Discretionary Data (optional)	Leave BLANK		2
79	79	Addenda Record Indicator	0	9(1)	1
80	87	Trace Number	07200009	9(8)	8
88	94	Batch Number		9(7)	7
		1. 27 if debt checking	* Appears on Bank Statement: is Optional at		
		37 if debt savings	Discretion of Licensee's Bank		
		28 for a prenote of a			
		checking account			

		38 for a prenote of a savings account			
		2. Format is xxxxxx #xxxxxxx Retailer's Store # is from License Master File			

PREPARED BY:	DATE:	TOTAL CHARACTERS:

RECORD DESCRIPTION

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BUREAU:	DIVISION:	

FILE TYPE:	HEADER ID: **Batch Trailer**	SEQUENCE:

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INPUT TO:	**C = Check Digit AAAA = ABA Institution ID**

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11	20	Entry Hash 1.		9(10)	10
21	32	Batch Debit Amount		9(12)	12
33	44	Batch Credit Amount	Leave Blank	9(12)	12
45	54	Company Tax ID 2.	X386000134		10
55	73	Reserved Spaces			19
74	79	Reserved Spaces			6
80	87	Originating Bank RT #	07200009	9(8)	8
88	94	Batch Number 3.		9(7)	7
		1. Addition of first 8 digits of all the routing numbers in the CCD entry detail.			
		2. This will vary on the ADA.			

		A = J. LEWIS COOPER COMPANY			
		B = FABIANO BROTHERS. INC.			
		C = HENRY A. FOX SALES COMPANY			
		D = GENERAL WINE & LIQUOR			
		E = NWS MICHIGAN			
		F = CHINESE IMPORT			
		3. Batch Number should equal the batch			
		number in the 5 record.			

PREPARED BY:		DATE:		TOTAL CHARACTERS:

RECORD DESCRIPTION

FILE NAME: **ADAINV.DAT**	DATA NAME:		PAGE: **5** OF **5**

BUREAU:		DIVISION:

FILE TYPE:	HEADER ID: **File Trailer**	SEQUENCE:

RECORD SIZE: **94**	BLOCKING FACTOR:	BLOCK SIZE:	FORMAT:	LABEL:

OUTPUT FROM:	REMARKS:
INPUT TO:	

FROM	TO	ACH DESCRIPTION	Default Value / Contents	FORMAT	LENGTH
01	01	Record Type Code	9	9(1)	1
02	07	Batch Count		9(6) Right Justify	6
08	13	Block Count		9(6) Right Justify	6
14	21	Entry Count		9(8) Right Justify	8
22	31	File Entry Hash 1.		9(10)	10
32	43	File Debit Amount		9(12) Right Justify	12
44	55	File Credit Amount (Always be zero!)		9(12) Right Justify	12
56	94	Blanks	Spaces	9(39) Spaces	39
		1. Addition of first 8 digits of ALL the routing numbers in			
		CCD Entry Detail for ALL the batches.			

		141			
PREPARED BY:			**DATE:**		**TOTAL CHARACTERS:**

Appendix M

Treasury Collection File Specifications
All Entries File Header Record

Field	Data Element Name	Field Inclusion Requirement	Contents	Length	Position	MARCS Data
1	RECORD TYPE CODE	M	'1'	1	01-01	1
2	PRIORITY CODE	R	Numeric	2	02-03	01
3	IMMEDIATE DESTINATION	M	bTTTTAAAAC	10	04-13	b072000805
4	IMMEDIATE ORIGIN	M	bTTTTAAAAC	10	14-23	b386000134
5	FILE CREATION DATE	M	YYMMDD	6	24-29	Batch Date
6	FILE CREATION TIME	O	HHMM	4	30-33	Batch Time
7	FILE ID MODIFIER	M	UPPER CASE A-Z, NUMERIC 0-9	1	34-34	1
8	RECORD SIZE	M	'094'	3	35-37	094
9	BLOCKING FACTOR	M	'10'	2	38-39	10
10	FORMAT CODE	M	'1'	1	40-40	1
11	IMMEDIATE DESTINATION NAME	O	Alphameric	23	41-63	MICHIGANbNATIONAL
12	IMMEDIATE ORIGIN NAME	O	Alphameric	23	64-86	ST.bOFbMICHbTREASbCOL
13	REFERENCE CODE	O	Alphameric	8	87-94	EFTbFILE

All Entries Company/Batch Header Record

Field	Data Element Name	Field Inclusion Requirement	Contents	Length	Position	MARCS Data
1	RECORD TYPE CODE	M	'5'	1	01-01	5
2	SERVICE CLASS CODE	M	Numeric	3	02-04	220 – Credit 225 – Debit
3	COMPANY NAME	M	Alphameric	16	05-20	ST.bOFbMI.bTREAS
4	COMPANY DISCRETIONARY DATA	O	Alphameric	20	21-40	G.C.bSERVICES
5	COMPANY IDENTIFICATION	M	Alphameric	10	41-50	1 + EIN (386000134)
6	STANDARD ENTRY CLASS CODE	M	Alphameric	3	51-53	CCD – Business Batch PPD – Individual Batch
7	COMPANY ENTRY DESCRPTION	M	Alphameric	10	54-63	EFT File Reversal File STbOFbMICH REVERSAL
8	COMPANY DESCRIPTIVE DATE	O	YYMMDD	6	64-69	Batch Date
9	EFFECTIVE ENTRY DATE	R	YYMMDD	6	70-75	Batch Date + Calculated Next Banking Day
10	SETTLEMTNE DATE (JULIAN)	Inserted by ACH Operator	Alphameric	3	76-78	bbb
11	ORIGINATOR STATUS CODE	M	Alphameric	1	79-79	1
12	ORIGINATING DFI IDENTIFICATION	M	TTTTAAAA	8	80-87	07200080
13	BATCH NUMBER	M	Numeric	7	88-94	Incremented Sequence Number From 1 to 9999999 Incremented from Batch to Batch

PPD Entry Detail Record

Field	Data Element Name	Field Inclusion Requirement	Contents	Length	Position	MARCS Data
1	RECORD TYPE CODE	M	'6'	1	01-01	6
2	TRANSACTION CODE	M	Numeric	2	02-03	Checking / Savings / Reversals 27 or 28 / 37 or 38 / 22 or 32
3	RECEIVING DFI IDENTIFICATION	M	TTTTAAAA	8	04-11	Routing Number
4	CHECK DIGIT	M	Numeric	1	12-12	Calculated via Modulus 10
5	DFI ACCOUNT NUMBER	R	Alphameric	17	13-29	Bank Account Number
6	AMOUNT	M	99999999^99	10	30-39	0 or EFT Amount
7	INDIVIDUAL IDENTIFICATION NUMBER	O/M 1	Alphameric	15	40-54	Case Number
8	INDIVIDUAL NAME	R	Alphameric	22	55-76	Name of bank account
9	DISCRETIONARY DATA	O	Alphameric	2	77-78	bb
10	ADDENDA RECORD INDICATOR	M	Numeric	1	79-79	0 = None
11	TRACE NUMBER	M	Numeric	15	80-94	07200080 + Detail Seq# within File

CCD Entry Detail Record

Field	Data Element Name	Field Inclusion Requirement	Contents	Length	Position	MARCS Data
1	RECORD TYPE CODE	M	'6'	1	01-01	6
2	TRANSACTION CODE	M	Numeric	2	02-03	Checking / Savings / Reversals 27 or 28 / 37 or 38 / 22 or 32
3	RECEIVING DFI IDENTIFICATION	M	TTTTAAAA	8	04-11	Routing Number
4	CHECK DIGIT	M	Numeric	1	12-12	Calculated via Modulus 10
5	DFI ACCOUNT NUMBER	R	Alphameric	17	13-29	Bank Account Number
6	AMOUNT	M	99999999^99	10	30-39	0 or EFT Amount
7	IDENTIFICATION NUMBER	O	Alphameric	15	40-54	Case Number
8	RECEIVING COMPANY NAME	R	Alphameric	22	55-76	Name on bank account
9	DISCRETIONARY DATA	O	Alphameric	2	77-78	bb
10	ADDENDA RECORD INDICATOR	M	Numeric	1	79-79	0 = None
11	TRACE NUMBER	M	Numeric	15	80-94	07200080 + Detail Seq# within File

All Entries Company/Batch Control Record

Field	Data Element Name	Field Inclusion Requirement	Contents	Length	Position	MARCS Data
1	RECORD TYPE CODE	M	'8'	1	01-01	8
2	SERVICE CLASS CODE	M	Numeric	3	02-04	220 or 225
3	ENTRY/ADDENDA COUNT	M	Numeric	6	05-10	Total of Detail Records within a Batch
4	ENTRY HASH	M	Numeric	10	11-20	Hash of Routing Numbers
5	TOTAL DEBIT ENTRY DOLLAR AMOUNT	M	9999999999^99	12	21-32	Total EFT Dollar Amount within Batch – 225 Debit
6	TOTAL CREDIT ENTRY DOLLAR AMOUNT	M	9999999999^99	12	33-44	Total EFT Dollar Amount within Batch – 220 Count
7	COMPANY IDENTIFICATION	R	Alphameric	10	45-54	1 + EIN (1386000134)
8	MESSAGE AUTHENTICATION CODE	O	Alphameric	19	55-73	Blank
9	RESERVED	N/A	Blank	6	74-79	Blank
10	ORIGINATING DFI IDENTIFICATION	M	TTTTAAAA	8	80-87	07200080
11	BATCH NUMBER	M	Numeric	7	88-94	Batch Seq Number

All Entries File Control Record

Field	Data Element Name	Field Inclusion Requirement	Contents	Length	Position	MARCS Data
1	RECORD TYPE CODE	M	'9'	1	01-01	9
2	BATCH COUNT	M	Numeric	6	02-07	How Many Batches – Usually 4 Type #5 records (Batch Header)
3	BLOCK COUNT	M	Numeric	6	08-13	Number of Total Records divided by 10 = Block Count
4	ENTRY/ADDENDA COUNT	M	Numeric	8	14-21	Total Number of Detail Records (Type #6)
5	ENTRY HASH	M	Numeric	10	22-31	All Routing Numbers from Type #6
6	TOTAL DEBIT ENTRY DOLLAR AMOUNT IN FILE	M	9999999999^99	12	32-43	Grand Total Debit Amount from Entire File – type 225
7	TOTAL CREDIT ENTRY DOLLAR AMOUNT IN FILE	M	9999999999^99	12	44-55	Grand Total Credit Amount from Entire File – type 220
8	RESERVED	N/A	Blank	39	56-94	Blank

<u>Appendix N</u>

Confirmation Data Page Components

Required Components

Company Name
Application Name
Current Date
Effective Date
Credit Item Count
Debit Item Count
Credit Dollar Amount
Debit Dollar Amount

<u>Appendix O</u>

Vendor, Contractor, or Subcontractor Confidentiality Agreement
(see next page)

Michigan Department of Treasury
3337 (Rev. 3-04)

Reset Form

Vendor, Contractor or Subcontractor Confidentiality <u>Agreement</u>

The Revenue Act, Section 28(1)f, 1941 PA 122, MCL 205.28(1)(f), makes all information acquired in administering taxes confidential. The Act holds a vendor, contractor or subcontractor and their employees who sell a product or provide a service to the Michigan Department of Treasury, or who access Treasury data, to the strict confidentiality provisions of the Act. Confidential tax information includes, but is not limited to, information obtained in connection with the administration of a tax or information or parameters that would enable a person to ascertain the audit selection or processing criteria of the Michigan Department of Treasury for a tax administered by the department.

INSTRUCTIONS: Read this entire form before you sign it. If you do not complete this agreement, you will be denied access to Michigan Department of Treasury and federal tax information. After you sign and date this form, keep a copy for your records. Send the original to: Michigan Department of Treasury, Office of Policy Communications and Disclosure, Disclosure Officer, 430 W. Allegan, Lansing, MI 48922.

Company Name and Address (Street or RR#, City, State, Zip Code)	Official or Employee Name
	Employee Identification Number or Driver's License Number
Name of State of Michigan Agency	Sub-Contractor's Name if Product/Service Furnished to Contractor
Describe here or in a separate attachment the product or service being provided to the State of Michigan Agency.	

Confidentiality Provisions. It is illegal to reveal or browse, except as authorized:

- All tax return information obtained in connection with the administration of a tax. This includes information from a tax return or audit and any information about the selection of a return for audit, assessment or collection, or parameters or tolerances for processing returns.

- All Michigan Department of Treasury or federal tax returns or tax return information made available, including information marked "Official Use Only". Tax returns or tax return information shall not be divulged or made known in any manner to any person except as may be needed to perform official duties. Access to Treasury or federal tax information, in paper or electronic form, is allowed on a **need-to-know** basis only. Disclosure of return information to other employees of your department, agency, division or office, must meet **need-to-know** criteria and be required for them to perform their official duties.

- Confidential information shall not be disclosed by a department employee to confirm information made public by another party or source which is part of any public record. 1999 AC 205.1003(3).

Penalty. Violating confidentiality laws is a felony, with penalties as described:

Agency Discipline
Absence of criminal prosecution does not prevent your agency from pursuing internal sanctions for unauthorized accessing, browsing, or disclosing state or federal tax returns or tax return information.

Michigan Penalties
MCL 205.28(1)(f) provides that you may not willfully browse any Michigan tax return or information contained in a return. Browsing is defined as examining a return or return information acquired without authorization and without a **need to know** the information to perform official duties. Violators of §28(1)(f) are guilty of a **felony** and subject to **fines of $5,000 or imprisonment for five years, or both** per the Michigan Revenue Act, 1941 PA 122, MCL 205.28(2). State employees will be discharged from state service upon conviction.

Any person who violates any other provision of the Revenue Act, 1941 PA 122, MCL 205.1. et seq., or any statute administered under the Revenue Act, will be guilty of a misdemeanor and **fined $1,000 or imprisonment for one year, or both**, MCL 205.27(4).

Federal Penalties
If you willfully disclose federal tax returns or tax return information to a third party, you are guilty of a **felony with a fine of $5,000 or imprisonment for five years, or both, plus prosecution costs** according to the Internal Revenue Code (IRC) §7213, 26 USC 7213.

In addition, inspecting, browsing or looking at a federal tax return or tax return information without authorization is a **felony violation** of IRC §7213A, 26 USC 7213A, subjecting the violator to a **$1,000 fine or imprisonment for one year, or both, plus prosecution costs**. Taxpayers affected by violations of §7213A must be notified by the government and may bring a civil action against the federal government and the violator within two years of the violation. Civil damages are the **greater of $1,000 or actual damages** incurred by the taxpayer, plus the costs associated with bringing the action, 26 USC 7431.

CERTIFICATION		
I acknowledge that I have read this Agreement, which is intended to help me understand applicable Michigan and Federal law related to the protection of confidential information. I understand that failure to comply with applicable law, including the laws referenced in this Agreement, may subject a violator to criminal and civil penalties.		
Print name of person signing this agreement	Signature of person named above	Date signed
WITNESS		
Print name of witness	Signature of witness	Date signed

Appendix P

Glossary of Agency Terms

AGENCY TERMS	DEFINITIONS
ACH	The Automated Clearing House funds transfer system governed by the Rules of the National Automated Clearing House Association which provides for interbank clearing of electronic entries for participating financial institutions. ACH also refers to an EFT Transaction.
ACH Operator	It is the ACH Operator to whom the ODFI transmits entries pursuant to the authorization of or agreement with such ACH Operator. The ACH Operator then transmits the entries to the RDFI.
Authorization Form	A written authorization for a debit and/or credit Electronic Fund Transfer. The form will list all information required by NACHA in order to process the EFT (i.e., account number, routing number, account type, etc.)
Business Day	Any day on which the State of Michigan is open for business.
Confirmation	The Confirmation by the ODFI to MAIN and ACH Revenue Programs of the receipt of a specific number of items, the total dollar value of those items, and items rejected by the ODFI within the time frame specified after receipt of electronic line transmission.
Cancellation	A request from the State to the ODFI to cancel an ACH transaction, or transactions, or file. A cancellation transaction or file occurs before the ODFI has transmitted EFT transactions to the ACH Operator.
DXG	Data Exchange Gateway (DEG or DXG). A solution of hardware and software positioned as the point of contact between the State and outside partners. It is a platform of hardware and software used to store and forward data transmissions. DXG is used by ACH Revenue Programs to transmit files to the ODFI and receive files and confirmations from the ODFI.
EDI	Electronic Data Interchange. Intercompany, computer-to-computer communication of data which permits the receiver to perform the function of a standard business transaction and is in a predefined standard data format.
EFT	Electronic Fund Transfer Entry through an ACH system. Also referred to as ACH.
Effective Entry Date	The date specified by the State on which it intends a batch of Entries to be settled. In this RFP the terms Effective Entry Date and Settlement Date are assumed to mean the same thing, unless otherwise specified.
Electronic Mailbox	Sender has the ability to write to a file on Receiver's System.
Encryption	The procedure of scrambling data by performing a series of calculations initiated with a secret key. The resulting encrypted data stream is indecipherable to the outside observer. The receiver of encrypted data, performing the same calculations initiated by the same key to convert the data back to its original form.
Erroneous Entry	An Entry that: **(1)** is a duplicate of an Entry previously issued by Treasury or the ODFI; **(2)** orders payment to a Receiver not intended to be credited by Treasury, or **(3)** that orders payment in an amount different than was intended by Treasury.
Errors	An error results when MAIN transmits the FEDI Transaction Sets to the ODFI and the ODFI runs an edit program and one or more entries are not complete or have other format problems. Errors are also referred to as Rejected Transaction Sets.

FEDI	Financial Electronic Data Interchange. The electronic exchange of payments, payment-related information or financial-related documents in standard formats between business partners.
MAIN	Michigan Administrative Information Network. An agency within the State of Michigan Department of Management and Budget. MAIN also refers to the State's Accounting System.
Notification of Change (NOC)	Created by an RDFI to notify the ODFI that previously valid information contained in a posted entry has become outdated or that information contained in a prenotification is erroneous and should be changed by the State. A Notification of Change transaction is a zero dollar transaction. Paper NOCs are not acceptable.
ODFI	Originating Depository Financial Institution. The financial institution awarded the contract under this RFP.
ON-US Entries	An entry received for credit to an account maintained by the ODFI.
Prenotification	The procedure used to test the ACH format for individual commercial and consumer EFTs. This is a non-dollar (zero amount) entry initiated by the State and transmitted to the ODFI. The ODFI, through the ACH Operator, then transmits the EFT Prenotification to the RDFI to test the entry data for accuracy.
RDFI	A Receiving Depository Financial Institution is a participating depository financial institution which receives Entries directly or indirectly from its Automated Clearing House Operator for debit or credit to the accounts of its customers.
Receiver	A person or business or commercial entity or organization that has authorized the State to initiate a credit or a debit entry to the Receiver's deposit account with an RDFI or, if the receiver is also the RDFI, to such receiver.
Rejected Transaction Sets	Transaction Sets that fail the predefined edits the State has arranged with the ODFI.
Reclamation	The reversal of a retirement, or other benefit payment. A Reclamation Entry may be initiated by the State or the ODFI if the Receiver is deceased and neither the Receiver's estate nor any other account holder is entitled to the payment. A Reclamation Entry from the State is a debit Entry that may be originated in an amount equal to pension, retirement, or other benefit payment to which the Reclamation relates. The Reclamation Entry must be sent within 5 banking days after the originator receives notice of the receiver's death.
Request for Returns	A request from Treasury to the ODFI to callback an Entry that originated in error (e.g. duplicate Entry or invalid receiver). The ODFI will in turn make the request to the RDFI. A Request for Return will occur after the period has expired for requesting the reversal (5 banking days after settlement). It is a manual process for both the ODFI and RDFI. The process is initiated when the originator requests the ODFI to call the RDFI to determine if there are funds available to return the credit. It is our understanding that not all financial institutions will honor a "Request for Return". Treasury will receive credit when the RDFI returns the Entry in question to the ODFI.
Residual Payment	Portion of a payment that remains after being offset against debts.

Returned Entry	The process that allows the ACH Operator or RDFI to exercise their respective rights not to accept an Entry (debit or credit) and to return it to the State through the ACH Network. The ACH Operator will return an Entry to the ODFI that cannot be processed through the ACH system (e.g. receiving RDFI not qualified to participate or improper debit item). RDFIs must return Entries that are not posted to Receivers' accounts. For example: account is closed, there are insufficient funds to cover the debit Entry, or the account number is invalid.
Reversal	A "Reversal" or "Reversing Entry" is a debit or credit Entry initiated by Treasury to the ODFI, in order to correct a previous erroneous credit or debit Entry. The Reversing Entry must be transmitted to the RDFI by midnight of the fifth banking day following settlement of the erroneous Entry. Treasury will receive a credit or debit for the Reversal on the settlement date, if initiated before the settlement date; or, if initiated after the settlement date, the day after transmission to the ODFI. However, if there are not enough funds in the account at the RDFI (a request for a debit Reversing Entry), Treasury's account will be debited and the State will pursue reimbursement from the Receiver.
Segment	In an EDI standard, a unit of a transaction set made up of related data elements.
Settlement Date	The date funds are to be debited from or credited to Treasury's account. And, the day that transactions are credited to or debited from the receiver's account (for example, pay day). Settlement date will be on the effective Entry date, unless otherwise specified.
State Workday	Any day on which the State of Michigan is open for business.
Transaction Set	A collection of EDI standard segments that contain the information required by a receiver to perform a standard business transaction. In an EDI standard, a transaction set is defined as having three sections, header, detail, and summary, and is comprised of a predefined group of segments in each section.
Tracer	A tracer is a request from Treasury to the ODFI. The tracer will include sufficient information for the ODFI to research what happened to the particular ACH transaction in question. The ODFI will process tracers in accordance with the timing provision in this contract.
Transmission	An electronic transfer of a signal, message, or other form of intelligence from one location to another.
Treasury	Michigan Department of Treasury.
Unbalanced File	A file that contains only credit or debit transactions with no offsetting transaction against the originator's bank account. Typically the offsetting transaction is inserted by the ODFI. Conversely, a **balanced** file of credit transactions would contain a single debit transaction to the originator's bank account for the total dollar amount of the credits contained in the file.

Appendix Q

Incident Report
(see next page)

Michigan Department of Treasury
4350 (Rev. 5-06)

CEPAS Incident Report

PART 1: CONTACT INFORMATION

1. Name	2. Incident Report Number
3. Office Telephone Number	4. Emergency Contact Number
5. E-mail Address	6. Fax Number
7. Alternate Contact Name	8. Alternate's Telephone Number

PART 2: INCIDENT INFORMATION

Incident Category

☐ Downtime   ☐ Settlement   ☐ Weakness in Internal Controls
☐ Duplicates   ☐ Unauthorized/Unlawful Activity   ☐ Other: _____

Date of Incident	Date Incident Discovered
Incident Location	
Involved Parties/Entities	
Description of Incident	
Date of Initial Report	

PART 3: INCIDENT RESOLUTION

Action Taken
Incident Impact
Post Incident Recommendations
Date of Final Report

Appendix R

Work Plan for Encrypting ACH Revenue Transmissions

ID	ⓘ	Task Name	Duration	Start	Finish	Predecessors	Resource Names
		SECURITY	**61 days**	**Wed 2/7/07**	**Wed 5/2/07**		
1		Confirm encryption/decryption methodology	1 day	Wed 2/7/07	Wed 2/7/07		PROJ TEAM
2		Order hardware encryption	60 days	Thu 2/8/07	Wed 5/2/07	2	PROJ TEAM
3		Install/test hardware encryption/decryption on main	21 days	Wed 2/7/07	Wed 3/7/07		PROJ TEAM
4		Install/test hardware encryption/decryption on backup	14 days	Thu 3/8/07	Tue 3/27/07	4	PROJ TEAM
5		Verify results with SOM	2 days	Wed 3/28/07	Thu 3/29/07	5	PROJ TEAM
6							

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