In accordance with A.R.S. §41-2632, AAC R2-7-1002, Cooperative Purchasing, the following document shall relay all additional requirements for the State of Arizona in its use and participation in the NASPO Value Point contract for Computer Hardware, Peripherals and Associated Services, as awarded by the State of Minnesota, Lead State, for this competitively procured contract.

Contractors are strongly encouraged to read this document in its entirety. All requirements stated within this document are allowable under any respective Master contract, and shall be viewed as such. Any attempt to modify or change this document without consent from the State of Arizona shall result in the nullification of this contract.
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OFFER

TO THE STATE OF ARIZONA:
The undersigned hereby offers and agrees to furnish the material, service or construction in compliance with all terms, conditions, specifications and amendments in the Solicitation and any written exceptions in the offer.

Arizona Transaction (Sales) Privilege Tax License No.: 07-009443-K

Federal Employer Identification No.: 13-0871985

________________________________________________________

________________________________________________________

International Business Machines, Inc

Address

i660 La Jolla Village Drive, Suite 300
San Diego, CA 92122

City State Zip

E-mail: kasch@us.ibm.com
Phone: 720-397-5563
Fax: N/A

________________________________________________________

Signature of Person Authorized to Sign Offer

Karen A. Schneider

Printed Name

NASPO ValuePoint Program Manager

Title

By signature in the Offer section above, the Offeror certifies:

1. The submission of the Offer did not involve collusion or other anticompetitive practices.
2. The Offeror will not discriminate against any employee or applicant for employment in violation of Federal Executive Order 11246, State Executive Order 2009-09 or A.R.S. §§41-1461 through 1465.
3. The Offeror has not given, offered, or given at any time, or at any time after any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor of the public servant in connection with the submitted offer. Failure to provide a valid signature affirming the stipulations required by these clauses shall result in rejection of the offer. Signing the offer with a false statement shall void the offer, any resulting contract and may be subject to legal remedies provided by law.
4. The Offeror certifies that the above referenced organization is / is not a small business with less than 100 employees or has gross revenues of $4 million or less.

ACCEPTANCE OF OFFER

The Offer is hereby accepted.
The Contractor is now bound to sell the materials or services listed by the attached contract and based upon the solicitation, including all terms, conditions, specifications, amendments, etc., and the Contractor's Offer as accepted by the State.
This Contract shall henceforth be referred to as Contract No.

ADSPO15-093835

The Contractor has been cautioned not to commence any additional work or to provide any material or service under this contract until Contractor receives purchase order, contact release document or written notice to proceed.

State of Arizona

Awarded this day of July, 2015

[Signature]

Document Office
1. Introduction

The State of Arizona, its Agencies, Boards and Commissions (State), as well as authorized Cooperative Members, have an ongoing requirement for the products and services as described herein. This NASPO Value Point Participating Addendum (PA) is developed by and for the State of Arizona. This PA is based on the award of a competitively solicited procurement, performed in concert with NASPO Value Point and the State of Minnesota.

2. Background

In 2014, the State of Minnesota competitively solicited offers from national and regional Contractors for the provision of computer hardware and associated services. Specifically, the categories of equipment are; Desktops, Laptops, Tablets, Servers and Storage. The result of this procurement was the award of thirty-two (32) Master contracts that became effective on April 1, 2015. Per the procedure outlined on the NASPO Value Point website and other materials, an interested participating state, must develop a Participating Addendum (PA) with the Contractors of their choosing.

The Participating Addendum (PA) must adhere to the requirements of the Master Contract as awarded and negotiated by the State of Minnesota. However, each individual PA may stipulate specific requirements, such as terms and conditions and other contract features are mandated or desired by each participating State.

3. State of Arizona Requirements

The State of Arizona shall engage various Contractors through the PA process and award. For this particular PA, the Contractor shall be: IBM Corporation. As per award, the Contractor shall provide the following equipment as specified in the Master Contract MNWNC-116: Servers and Storage, including accessories/peripherals and associated services.

For clarity, the definitions as used in the Master Contract shall be used, but have been modified for this PA. The definitions are as follows:

Desktop – A personal computer intended for regular use at a single location. Typically comes in several units connected together during installation: (1) processor, (2) display monitor, (3) input devices, i.e., keyboard and mouse. Desktop virtualization endpoints such as zero and thin clients shall also be included if available from this Contractor.

Laptop – Is a personal computer for mobile use. A laptop includes a display, keyboard, point device such as a touchpad and speakers into a single unit. A laptop can be used away from an outlet using a rechargeable battery.

Peripheral – A peripheral means any hardware product that can be attached to or added within or networked with computers, servers and storage. Peripherals extend the functionality of a computer without modifying the core components of the system. Peripherals are defined as including accessories. Peripherals may be manufactured by a third party, however, Contractor shall not offer any peripherals manufactured by another Contracted Supplier holding a Master Agreement. The Contractor shall provide the warranty service and maintenance for all peripherals.

Accessory – Accessories do not extend the functionality of the computer, but enhances the user experience i.e. mouse pad, monitor stand. For the purposes of this proposal accessories are considered peripherals.

Tablet – A tablet is a mobile computer that provides a touchscreen which acts as the primary means of control. Tablet band shall include notebooks, ultrabooks, and netbooks that are touchscreen capable.
Services — Broadly classed as installation/de-installation, maintenance support, *minimal operation training*, migration, and optimization of products offered or supplied. These types of services shall include the following:

A. Warranty Services;
B. Equipment Maintenance;
C. Installation, and De-installation;
D. Factory Integration (software or equipment components);
E. Asset Management;
F. Pre-Implementation Design;
G. Disaster Recovery Planning and Support; and
H. Equipment Operation Training

4. Participating Addendum Allowances and Restrictions

This PA shall allow and restrict the following:

A. Any network equipment that may include, routers, switches, security components, telephony, cabling other networking devices is not allowed as a separate purchase. The network component must be a part of the total equipment solution.

B. The only allowable software is operating system software and is subject to equipment configuration limits. Commercial off-the shelf (COTS) application software is not allowed;

C. Software must be pre-loaded or provided as an electronic link with the initial purchase, exception is noted immediately below;

C1. Software such as middleware which is not installed on the equipment but is related to storage and server equipment purchased, is allowed and may be procured after the initial purchase of the equipment,

D. Services must be related to the equipment. No additional professional services, such as consulting, regardless of length of engagement, is allowed;

E. Wireless phone and internet service is not allowed;
F. Cellular equipment and accessories are not allowed;
G. Cloud services including acquisitions structured as managed on-site services are not allowed;
H. Managed Print Services is not allowed
I. Hosting Services are not allowed;
J. Software training, or any other training other than equipment operation training, is not allowed;
K. Employee Purchase Programs are not allowed in this PA; and
L. Trade-In and Recycle Programs or offerings are not allowed in this PA.

5. Leasing and Rental Options

Leasing and rental options are allowable for the acquisition of the awarded equipment, if the Contractor provides this option. A Master Lease or Master Rental Agreement will not be negotiated by the State. Each Eligible Agency or Ordering Entity who chooses to pursue either method, shall be responsible for the review, possible negotiations, and signature on any leasing or rental documents. Additionally, it shall be clear that the Eligible Agency or Ordering Entity has the final financial responsibility. The following shall apply to all State agencies, boards and commissions. All cooperative members shall seek guidance from their internal Finance Department for applicability:

A. Capital and operating lease agreements, as well as straight rental agreements, between the Contractor and any Eligible Agency or Ordering Entity are allowable under this Contract.
   1. Capital leases are those agreements which transfer title or ownership of the leased property at the end of the lease or contain a provision for a bargain purchase option; and
   2. Operating leases are those agreements where agencies do not obtain title to or ownership of, only the temporary possession and use of, the leased property.

B. In the event of a conflict between the provisions of a lease agreement and Contract terms and conditions, the Contract terms and conditions shall prevail.

C. Any State entity entering into a lease agreement as allowed herein shall follow the policies outlined in the State of Arizona Accounting Manual. Any questions as to the State’s policy should be directed to the ADOA General Accounting Office. Inquiries can be sent via email to gaopolicy@azdoa.gov.

D. To ensure compliance with Article 9, Section 5 of the State of Arizona Constitution, installment purchase agreements, or those agreements where title to the property is transferred to the lessee at the inception of the agreement, shall be prohibited under this contract.

6. Configuration Limits

The dollar limits below are based on a single computer configuration. This is not a restriction on the purchase of multiple configurations. Example – an entity may purchase 10 laptops at $10K each for a total purchase price of $100K. Configuration is defined as the combination of hardware and software components that make up the total functioning system. Software purchases are considered a part of the configuration limit on the equipment.

<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Servers</td>
<td>$750,000</td>
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<tr>
<td>Storage</td>
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<tr>
<td>Desktops</td>
<td>$10,000</td>
</tr>
<tr>
<td>Laptops</td>
<td>$10,000</td>
</tr>
<tr>
<td>Tablets</td>
<td>$5,000</td>
</tr>
<tr>
<td>Peripherals</td>
<td>$25,000</td>
</tr>
</tbody>
</table>
7. Reporting

At a minimum the Contractor shall provide sales reports as outlined in the Master contract and Sample Participating Addendum, as provided by NASPO Value Point. Sales reports will only be requested as needed by either the State or any Ordering Entity. More importantly for this PA, is Contractor’s compliance to Item 8, Administrative Fee and Usage Reports as stated in the Special Terms and Conditions of this document.

8. ePEAT

The State of Arizona has not waived this requirement. At a minimum the Contractor shall be ePEAT Bronze compliant. IBM maintains ePEAT Bronze for those products that are ePEAT eligible.

9. Utilization of Partners

The Contractor may offer partners to provide additional services in support of this contract. The partners may provide the following:

A. Marketing and Sales;
B. Product Fulfillment;
C. Customer Service;
D. Expediting Services; and
E. Administrative Services;
   E1. Purchase Order Acceptance, and
   E2. Accounts Receivable

If the Contractor chooses to allow partners to provide administrative services as noted above, Contractor has the responsibility to vet or ensure the partners capabilities including their financial systems and business processes to accept and process contract obligation and financial documents timely and accurately. The ultimate responsibility for the performance of these partners, rests with the Contractor. The State or any Ordering Entity shall not be obligated or forced to utilize a partner or partners.

Contractor may provide up to ten (10) partners. The list of approved and the services each Partner may provides will be clearly noted on the Contractor’s web page for this contract. Contractor may remove and add partners within the contract term, as long as the State receives timely notification of these changes. All notifications shall be in writing. At a minimum, the notification shall include:

A. The name of the Partner;
B. Address;
C. Contact Name(s);
D. Phone and Email Contact Information; and
E. Description of the Services they will provide.
10. **Current Product and Pricing Schedules**

    The Contractor is responsible to ensure that any changes made to the Product and Pricing Schedules are current and are accurate. It is required that the Contractor provide a Product and Pricing Schedule update to the State for each update provided to the NASPO Value Point Lead State. Notification regarding any changes shall be made in writing within thirty (30) days of when notification was provided to the NASPO Value Point Lead State.

11. **Website Ordering or Punch-Out Capabilities**

    The State reserves the right to work with the Contractor at a later date, to initiate and implement a web enabled ordering mechanism, including a punch-out feature into the State’s e-procurement system, ProcureAZ.

12. **Ordering Instruments**

    Any order for equipment, or services, shall be placed with the Contractor or their approved Partner by either a valid purchase order or a government/commercially sponsored procurement card (P Card). Private and or individual credit may not be accepted.

    Any credit card processing fees that may be imposed by the Contractor shall be listed as a separate line item on any invoice. The imposition of processing fees should be carefully considered by the Contractor and should not exceed the following:

    A. For transactions of $25,000.00 or less, the Contractor may not charge a credit card fee; and

    B. For transactions greater than $25,000.00, the Contractor may charge a credit card fee that shall not exceed 2.5%.
1. Purpose

Pursuant to provisions of the Arizona Procurement Code, A.R.S. 41-2501 Et Seq., the State of Arizona intends to establish a Contract for the materials or services as listed herein.

2. Term of Contract

The term of the resultant Contract shall be effective the date specified on the Offer and Award or Signature page and shall remain in effect unless terminated, cancelled, or extended as otherwise provided herein. The initial first year term shall be July 1, 2015 to March 31, 2017 in order to coincide with the NASPO ValuePoint Master Contract.

3. Contract Extensions

The Contract term is for the stated period subject to additional successive periods of twelve (12) months per extension with a maximum aggregate including all extensions not to exceed five (5) years.

4. Master Contract and Participating Addendum Order of Precedence

As stated in the Participating Addendum of record, as posted on the NASPO Value Point website, the contract order of precedence for this PA is as follows:

4.1 State of Arizona Participating Addendum;

4.2 Minnesota NASPO ValuePoint Master Agreement;

4.3 The Solicitation including all Addendums; and

4.4 Contract Vendors response to the Solicitation

5. Non-Exclusive Contract

This contract has been awarded with the understanding and agreement that it is for the sole convenience of the State of Arizona. The State reserves the right to obtain like goods or services from another source when necessary. Off-contract purchase authorization(s) may be approved by the State Procurement Office. Approvals shall be at the exclusive discretion of the State and shall be final. Off-contract procurement shall be consistent with the Arizona Procurement Code.

6. Eligible Agencies

This Contract shall be for the use of all State of Arizona departments, agencies, commissions and boards. In addition, eligible State Purchasing Cooperative members may participate at their discretion. In order to participate in this contract, a cooperative member shall have entered into a Cooperative Purchasing Agreement with the Department of Administration, State Procurement Office as required by Arizona Revised Statues § 41-2632.

Membership in the State Purchasing Cooperative is available to all Arizona political subdivisions including cities, counties, school districts, and special districts. Membership is also available to all non-profit organizations, as well as State governments, the US Federal Government and Tribal Nations. Non-profit organizations are defined in A.R.S. § 41-2631(4) as any nonprofit corporation as designated by the internal revenue service under section 501(c)(3) through 501(c)(6).
7. **Estimated Quantities**

The State anticipates considerable activity resulting from contract(s) that will be awarded as a result of this solicitation; however, no commitment of any kind is made concerning quantities actually acquired and that fact should be taken into consideration by each potential Contractor.

8. **Administrative Fee and Usage Reports**

**Method of Assessment.** At the completion of each quarter, the Contractor reviews all sales under their contract in preparation for submission of their Usage Report. The Contractor identifies all sales receipts transacted by members of the State Purchasing Cooperative and assesses one percent (1.0%) of this amount in their Usage Report. An updated list of State Purchasing Cooperative members may be found at: https://spo.az.gov/state-purchasing-cooperative. At its option, the State may expand or narrow the applicability of this fee. The State shall provide thirty (30) written notice prior to exercising or changing this option. The Contractor shall summarize all sales, along with all assessed Administrative Fee amounts within their Usage Report, including total amounts for the following:

8.1 Total sales receipts from State agencies, boards and commissions;

8.2 Total sales receipts from members of the State Purchasing Cooperative; and

8.3 Total Administrative Fee amount based on one percent (1.0%) of the sales receipts from members of the State Purchasing Cooperative.

**Submission of Reports and Fees.** Within thirty (30) days following the end of the quarter, the Contractor submits their Usage Report and if applicable, a check in the amount of one percent (1%) of their sales receipts from members of the State Purchasing Cooperative, to the Department of Administration, State Procurement Office. Contractors are required to use the State's current report templates unless you have authorization from your contract officer to use a different format. You need to complete Form 799, which is a cover letter that gives the totals of your transactions; and Form 801, which is an Excel spreadsheet that details your transactions. Sales to state agencies and the cooperative members are to be totaled separately. The most current forms can be downloaded at https://spo.az.gov/statewide-contracts-administrative-fee.

The submission schedule for Administrative Fees and Usage reports shall be as follows:

- **FY Q1, July through September** Due October 31
- **FY Q2, October through December** Due January 31
- **FY Q3, January through March** Due by April 30
- **FY Q4, April through June** Due by July 31

Usage Reports and any questions are to be submitted by email to the state's designated usage report email address: usage@azdoa.gov

Administrative Fees shall be made out to the “State Procurement Office” and mailed to:

**Department of Administration**
**General Services Division**
**ATTN: “Statewide Contracts Administrative Fee”**
**100 N. 15th Avenue, Suite 202**
**Phoenix, AZ 85007**
The Administrative Fee shall be a part of the Contractor's unit prices and is not to be charged directly to the customer in the form of a separate line item. Statewide contracts shall not have separate prices for State Agency customers and State Purchasing Cooperative customers.

Contractor's failure to remit administrative fees in a timely manner consistent with the contract's requirements may result in the State exercising any recourse available under the contract or as provided for by law.

9. Licenses

The Contractor shall maintain in current status, all federal, state and local licenses and permits required for the operation of the business conducted by the Contractor.

10. Authorization to Purchase

Authorization for the purchase of equipment or services shall be made only upon the issuance of a Purchase Order or a government/commercial procurement card/credit card. The Purchase Order will indicate the contract number and the dollar amount of funds authorized. The Contractor shall only be authorized to perform up to the amount on the Purchase Order or the accepted quotation document. The State shall not have any legal obligation to pay for goods or services in excess of the amount indicated on the Purchase Order or accepted quotation document. No further obligation for payment shall exist unless:

10.1 The Purchase Order is changed or modified with an official Change Order, and/or

10.2 An additional Purchase Order is issued for the purchase of good and services under this Contract.

11. Invoicing

All billing notices or invoices shall be sent to the agency whose address appears on the contract release order/purchase order as the 'bill to address' and should contain, at a minimum, the information listed below.

10.1 The contract number, as applicable, the Task Order number, and the contract release/purchase order number;

10.2 Name and address of the contractor;

10.3 The Contractor's remittance address;

10.4 Contractor's representative to contact concerning billing questions;

10.5 Contractual payment terms;

10.6 Applicable taxes; and

10.7 Description of work products delivered.

12. Compliance with Applicable Laws

The Materials and services supplied under this Contract shall comply with all applicable Federal, state and local laws, and the Contractor shall maintain all applicable licenses and permit requirements. Contractor represents and warrants to the State that Contractor has the skill and knowledge possessed by members of its trade or profession and Contractor will apply that skill and knowledge with care and diligence so Contractor and Contractor's employees and any authorized subcontractors shall perform the Services described in this Contract.
Illicit Code is defined as any harmful or hidden programs or data intentionally incorporated therein that destroys or impairs the Software, thereby inhibiting or preventing the State from using the Licensed Software as warranted. Contractor uses commercially available software to detect existence of Illicit Code prior to distributing such Licensed Software; however, Contractor cannot guarantee that any Licensed Software is free of illicit codes and other defects. During the term of a Licensed Software warranty period, or during the term of any Software defect, if it is determined that Illicit Code is present, then Contractor will use commercially reasonable efforts to correct the affected Software and if it cannot do so in a reasonable period of time, replace the affected Software as Contractors sole and exclusive remedy.

13. Price Adjustment

Price Adjustments will be provided in accordance with NASPO ValuePoint Contract MNWNC-116 Exhibit B-Pricing, Paragraphs 2 Price Structure and Paragraph 3 Price Guarantee.

14. Payment Procedures

The State will make payments only to the entity to whom the purchase order was issued. The entities to whom a purchase order may be issued are 1) IBM Corporation or 2) only those IBM Business Partners who have been approved to receive and fulfill such orders. IBM Business Partners will be listed on the IBM NASPO web page in accordance with Scope of Work Paragraph 9 above.

15. Order Process

The award of a Contract shall be in accordance with the Arizona Procurement Code. Any attempt to represent any material and/or service not specifically awarded as being under contract with the State is a violation of the Contract and the Arizona Procurement Code. Any such action is subject to the legal and contractual remedies available to the State inclusive of, but not limited to, contract cancellation, suspension and/or debarment of the Contractor.

16. Offshore Performance of Work Prohibited

Unless otherwise provided in a Statement of Work, and due to security and identity protection concerns, direct services under this contract shall be performed within the borders of the United States and its territories. Any services that are described in the Statement of Work or scope of work that directly serve the State of Arizona or its clients and may involve access to secure or sensitive data or personal client data for the State shall be performed within the borders of the United States. Unless specifically stated otherwise in the Statement of Work, this definition does not apply to indirect or "overhead" services, redundant back-up services or technical services that are provided in the performance of the services contemplated in the contract. This provision applies to work performed by subcontractors at all tiers. Unless otherwise provided in a Transaction Document, and due to security and identity protection concerns, direct services provided under a Transaction Document against this contract shall be performed within the borders of the United States and its territories. Any services that are described in the Transaction document that directly serve the State of Arizona or its clients and may involve access to secure or sensitive or personal client data for the State shall be performed with the borders of the United States. Unless specifically stated otherwise in the Transaction Document, this requirement does not apply to indirect or "overhead" services, redundant backup services or technical services that are provided in the performance of the services contemplated under the Transaction Document. This provision applies to work performed by subcontractors at all tiers.
17. First Party Limitation of Liability – See Master Agreement MNWNC-116, Section C, Paragraph 17

18. Access Constraints and Requirements

Contractor access to State facilities and resources shall be properly authorized by State personnel, based on business need and will be restricted to least possible privilege. Upon approval of access privileges, the Contractor shall maintain strict adherence to all policies, standards, and procedures. Policies / Standards, ADOA / ASET Policies / Procedures, and Arizona Revised Statues (ARS) 28-447 Public Records, 28-449 Information Requests for Public Records, 38-421 Stealing, Destroying, Altering or Secreting a Public Record; Classification, 13-2408 Securing the Proceeds of an Offense, Classification, 13-2316 Computer Tampering, Venue; Forfeiture: Classification,

Contractor or, its subcontractors agree to comply with policies, standards, and procedures listed above. Contractor or subcontractor who intentionally commits an unlawful breach or harmful access (physical or virtual) will be subject to prosecution under all applicable state and/or federal laws.

19. Section 508 Compliance

Where applicable, Contractor will comply with Section C, Paragraph 2, Accessibility Standards of NASPO ValuePoint Contract MNWNC-116.


The Contractor warrants that it is familiar with the requirements of HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act (HITECH Act) of 2009, and accompanying regulations. In the event that the Contractor will act as a Business Associate as defined in the regulations, Contractor will discuss the requirement to enter into a Business Associate Agreement (BAA) for that specific transaction. Such BAA will be in effect for the term of the transaction and will not apply to the PA as a whole.

21. Indemnification

Indemnification will be provided in accordance with NASPO ValuePoint Contract MNWNC-116 Section C, Paragraph 17.

22. Intellectual Property Indemnification

Intellectual Property Indemnification will be provided in accordance with NASPO ValuePoint Contract MNWNC-116 Section C, Paragraph 17.

23. Insurance

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract, are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, its agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work.
under this contract by the Contractor, its agents, representatives, employees or subcontractors, and Contractor is free to purchase additional insurance.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE**: Contractor shall provide coverage at least as broad and with limits of liability not less than those stated below.

1. **Commercial General Liability – Occurrence Form**
   Policy shall include bodily injury, property damage, personal and advertising injury and broad form contractual liability.
   - General Aggregate $2,000,000
   - Products – Completed Operations Aggregate $1,000,000
   - Personal and Advertising Injury $1,000,000
   - Damage to Rented Premises $50,000
   - Each Occurrence $1,000,000

   a. The policy shall be endorsed *(Blanket Endorsements are not acceptable)* to include the following additional insured language: "*The State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor.*" Such additional insured shall be covered to the full limits of liability purchased by the Contractor, even if those limits of liability are in excess of those required by this Contract.

   b. Policy shall contain a waiver of subrogation endorsement *(Blanket Endorsements are not acceptable)* in favor of the "*State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees*" for losses arising from work performed by or on behalf of the Contractor.

2. **Business Automobile Liability**
   Bodily Injury and Property Damage for any owned, hired, and/or non-owned vehicles used in the performance of this Contract.
   - Combined Single Limit (CSL) $1,000,000

   a. The policy shall be endorsed *(Blanket Endorsements are not acceptable)* to include the following additional insured language: "*The State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor, involving automobiles owned, leased, hired or borrowed by the Contractor.*” Such additional insured shall be covered to the full limits of liability purchased by the Contractor, even if those limits of liability are in excess of those required by this Contract.

   b. Policy shall contain a waiver of subrogation endorsement *(Blanket Endorsements are not acceptable)* in favor of the "*State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees*” for losses arising from work performed by or on behalf of the Contractor.

   c. Policy shall contain a severability of interest provision.

3. **Worker’s Compensation and Employers’ Liability**
   - Workers’ Compensation
   - Employers’ Liability
     - Each Accident $1,000,000
     - Disease – Each Employee $1,000,000
Disease – Policy Limit $1,000,000

a. Policy shall contain a waiver of subrogation endorsement (Blanket Endorsements are not acceptable) in favor of the “State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees” for losses arising from work performed by or on behalf of the Contractor. However, the waiver of subrogation for Workers Compensation does not apply in instances of gross negligence on the part of the customer, where gross negligence is defined to mean carelessness that is reckless disregard for the safety of others and/or a failure to use the slightest degree of care.

b. This requirement shall not apply to: Separately, EACH contractor or subcontractor exempt under A.R.S. § 23-901, AND when such contractor or subcontractor executes the appropriate waiver (Sole Proprietor/Independent Contractor) form.

B. ADDITIONAL INSURANCE REQUIREMENTS: The policies are to contain, or be endorsed (Blanket Endorsements are not acceptable) to contain, the following provisions:

1. The Contractor's policies shall stipulate that the insurance afforded the Contractor shall be primary insurance and that any insurance carried by the Department, its agents, officials, employees or the State of Arizona shall be excess and not contributory insurance, as provided by A.R.S. § 41-621 (E).

2. Coverage provided by the Contractor shall not be limited to the liability assumed under the indemnification provisions of this Contract.

C. NOTICE OF CANCELLATION: With the exception of (10) day notice of cancellation for non-payment of premium, any changes material to compliance with this contract in the insurance policies above shall require (30) days written notice to the State of Arizona. Such notice shall be sent directly to the Department and shall be sent by certified mail, return receipt requested.

D. ACCEPTABILITY OF INSURERS: Contractors insurance shall be placed with companies licensed in the State of Arizona or hold approved non-admitted status on the Arizona Department of Insurance List of Qualified Unauthorized Insurers. Insurers shall have an “A.M. Best” rating of not less than A- VII. The State of Arizona in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. VERIFICATION OF COVERAGE: Contractor shall furnish the State of Arizona with certificates of insurance (ACORD form or equivalent approved by the State of Arizona) as required by this Contract. The certificates for each insurance policy are to be signed by an authorized representative.

All certificates and endorsements (Blanket Endorsements are not acceptable) are to be received and approved by the State of Arizona before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract, or to provide evidence of renewal, is a material breach of contract.

All certificates required by this Contract shall be sent directly to the Department. The State of Arizona project/contract number and project description are to be noted on the certificate of insurance.

F. APPROVAL: Any modification or variation from the insurance requirements in this Contract shall be made by the contracting agency in consultation with the Department of Administration, Risk Management Division. Such action will not require a formal Contract amendment, but may be made by administrative action.

G. EXCEPTIONS: In the event the Contractor or sub-contractor(s) is/are a public entity, then the Insurance Requirements shall not apply. Such public entity shall provide a Certificate of Self-Insurance. If the contractor or sub-contractor(s) is/are a State of Arizona agency, board, commission, or university then none of the above shall apply.
24. **Compliance Requirements for A.R.S. § 41-4401, Government Procurement: e-Verify Requirement**

The Contractor warrants compliance with all Federal immigration laws and regulations relating to employees and warrants its compliance with Section A.R.S. § 23-214, Subsection A. (That subsection reads: "After December 31, 2007, every employer, after hiring an employee, shall verify the employment eligibility of the employee through the E-Verify program.)

A breach of a warranty regarding compliance with immigration laws and regulations shall be deemed a material breach of the Contract and the Contractor may be subject to penalties up to and including termination of the Contract.

Failure to comply with a State audit process to randomly verify the employment records of Contractors and subcontractors shall be deemed a material breach of the Contract and the Contractor may be subject to penalties up to and including termination of the Contract.

The State Agency retains the legal right to inspect the papers of any employee who works on the Contract to ensure that the Contractor or subcontractor is complying with the warranty under paragraph One (1).

24. **Negotiated Uniform Terms and Conditions**

The following terms and conditions have been negotiated, and based on contract order of precedence shall be placed in the Special Terms and Conditions for greater clarity and position.

24.1 Property of the State – See Master Agreement MNWNC-116, Section B, Paragraph 30

24.2 Ownership of Intellectual Property – See Master Agreement MNWNC-116, Section B, Paragraph 30

24.3 Payments – Payments shall be made in accordance with Master Agreement MNWNC-116, Exhibit B, Paragraph 24. Acceptance of products and services will be in accordance with Master Agreement MNWNC-116, Section B, Paragraph 28.

24.4 Delivery – Delivery of products and services will be in accordance with Master Agreement MNWNC-116 Exhibit B, Pricing, Paragraph 13.


24.6 Warranties – See Master Agreement MNWNC-116, Section B, Paragraph 32.

24.7 Nonconforming Tender - Materials or services supplied under this Contract shall fully comply with the Contract in accordance with Section B, Paragraph 9. On delivery of nonconforming materials or services, the State may terminate the Contract for default under applicable termination clauses in the Contract, after providing the Contractor a thirty (30) day period to cure such nonconforming materials or services and the State may then exercise any of its rights and remedies under the Uniform Commercial Code, or pursue any other right or remedy available to it.
24.8 Right of Offset. The parties agree the State shall not be entitled to offset against any sums due the Contractor, any expenses or costs incurred by the State, or damages assessed by the State concerning the Contractor’s non-conforming performance or failure to perform the Contract, including expenses, costs and damages described in the Uniform Terms and Conditions.

24.9 Arbitration - The parties to this Contract agree to resolve all disputes arising out of or relating to this contract through arbitration, after exhausting applicable administrative review, to the extent required by A.R.S. § 12-1518, except as may be required by other applicable statutes (Title 41). Each party will allow the other reasonable opportunity to comply before it claims that the other has not met its obligations under this Agreement. The parties will attempt in good faith to resolve all disputes, disagreements, or claims between the parties relating to this Agreement. If such disputes, disagreements or claims between the parties cannot be resolved at the executive level, the parties may agree to address the issue by way of a non binding arbitration panel. Unless otherwise required by applicable law without the possibility of contractual waiver or limitation, i) neither party will bring a legal action, regardless of form, arising out of or related to this Agreement or any transaction under it more than two years after the cause of action arose; and ii) after such time limit, any legal action arising out of this Agreement or any transaction under it and all respective rights related to any such action lapse.
1. Definition of Terms

As used in this Solicitation and any resulting Contract, the terms listed below are defined as follows:

1.1. "Attachment" means any item the Solicitation requires the Offeror to submit as part of the Offer.

1.2. "Contract" means the combination of the Solicitation, including the Uniform and Special Instructions to Offerors, the Uniform and Special Terms and Conditions, and the Specifications and Statement or Scope of Work; the Offer and any Best and Final Offers; and any Solicitation Amendments or Contract Amendments.

1.3. "Contract Amendment" means a written document signed by the Procurement Officer that is issued for the purpose of making changes in the Contract.

1.4. "Contractor" means any person who has a Contract with the State.

1.5. "Days" means calendar days unless otherwise specified.

1.6. "Exhibit" means any item labeled as an Exhibit in the Solicitation or placed in the Exhibits section of the Solicitation.

1.7. "Gratuity" means a payment, loan, subscription, advance, deposit of money, services, or anything of more than nominal value, present or promised, unless consideration of substantially equal or greater value is received.

1.8. "Materials" means all property, including equipment, supplies, printing, insurance and leases of property but does not include land, a permanent interest in land or real property or leasing space.

1.9. "Procurement Officer" means the person, or his or her designee, duly authorized by the State to enter into and administer Contracts and make written determinations with respect to the Contract.

1.10. "Services" means the furnishing of labor, time or effort by a contractor or subcontractor which does not involve the delivery of a specific end product other than required reports and performance, but does not include employment agreements or collective bargaining agreements.

1.11. "Subcontract" means any Contract, express or implied, between the Contractor and another party or between a subcontractor and another party delegating or assigning, in whole or in part, the making or furnishing of any material or any service required for the performance of the Contract.

1.12. "State" means the State of Arizona and Department or Agency of the State that executes the Contract.

1.13. "State Fiscal Year" means the period beginning with July 1 and ending June 30.

2. Contract Interpretation


2.2. Implied Contract Terms. Each provision of law and any terms required by law to be in this Contract are a part of this Contract as if fully stated in it.

2.3. Contract Order of Precedence. In the event of a conflict in the provisions of the Contract, as accepted by the State and as they may be amended, the following shall prevail in the order set forth below:

2.3.1. Special Terms and Conditions;

2.3.2. Uniform Terms and Conditions;

2.3.3. Statement or Scope of Work;
2.4. **Relationship of Parties.** The Contractor under this Contract is an independent Contractor. Neither party to this Contract shall be deemed to be the employee or agent of the other party to the Contract.

2.5. **Severability.** The provisions of this Contract are severable. Any term or condition deemed illegal or invalid shall not affect any other term or condition of the Contract.

2.6. **No Parole Evidence.** This Contract is intended by the parties as a final and complete expression of their agreement. No course of prior dealings between the parties and no usage of the trade shall supplement or explain any terms used in this document and no other understanding either oral or in writing shall be binding.

2.7. **No Waiver.** Either party's failure to insist on strict performance of any term or condition of the Contract shall not be deemed a waiver of that term or condition even if the party accepting or acquiescing in the nonconforming performance knows of the nature of the performance and fails to object to it.

3. **Contract Administration and Operation**

3.1. **Records.** Under A.R.S. § 35-214 and § 35-215, the Contractor shall retain and shall contractually require each subcontractor to retain all data and other "records" relating to the acquisition and performance of the Contract for a period of five years after the completion of the Contract. All records shall be subject to inspection and audit by the State at reasonable times. Upon request, the Contractor shall produce a legible copy of any or all such records.

3.2. **Non-Discrimination.** The Contractor shall comply with State Executive Order No. 2009-09 and all other applicable Federal and State laws, rules and regulations, including the Americans with Disabilities Act.

3.3. **Audit.** Pursuant to ARS § 35-214, at any time during the term of this Contract and five (5) years thereafter, the Contractor's or any subcontractor's books and records shall be subject to audit by the State and, where applicable, the Federal Government, to the extent that the books and records relate to the performance of the Contract or Subcontract.

3.4. **Facilities Inspection and Materials Testing.** The Contractor agrees to permit access to its facilities, subcontractor facilities and the Contractor's processes or services, at reasonable times for inspection of the facilities or materials covered under this Contract. The State shall also have the right to test, at its own cost, the materials to be supplied under this Contract.

3.5. **Notices.** Notices to the Contractor required by this Contract shall be made by the State to the person indicated on the Offer and Acceptance form submitted by the Contractor unless otherwise stated in the Contract. Notices to the State required by the Contract shall be made by the Contractor to the Solicitation Contract Person indicated on the Solicitation cover sheet, unless otherwise stated in the Contract. An authorized Procurement Officer and an authorized Contractor representative may change their respective person to whom notice shall be given by written notice to the other and an amendment to the Contract shall not be necessary.

3.6. **Advertising, Publishing and Promotion of Contract.** The Contractor shall not use, advertise or promote information for commercial benefit concerning this Contract without the prior written approval of the Procurement Officer.

3.7. **Property of the State.** Any materials, including reports, computer programs and other deliverables, created under this Contract are the sole property of the State. The Contractor is not entitled to a patent or copyright on those materials and may not transfer the patent or copyright to anyone else. The Contractor shall not use or release these materials without the prior written consent of the State.
3.8. **Ownership of Intellectual Property.** Any and all intellectual property, including but not limited to copyright, invention, trademark, trade name, service mark, and/or trade secrets created or conceived pursuant to or as a result of this contract and any related subcontract ("Intellectual Property"), shall be work made for hire and the State shall be considered the creator of such Intellectual Property. The agency, department, division, board or commission of the State of Arizona requesting the issuance of this contract shall own (for and on behalf of the State) the entire right, title and interest to the Intellectual Property throughout the world. Contractor shall notify the State, within thirty (30) days, of the creation of any Intellectual Property by it or its subcontractor(s). Contractor, on behalf of itself and any subcontractor(s), agrees to execute any and all document(s) necessary to assure ownership of the Intellectual Property vests in the State and shall take no affirmative actions that might have the effect of vesting all or part of the Intellectual Property in any entity other than the State. The Intellectual Property shall not be disclosed by contractor or its subcontractor(s) to any entity not the State without the express written authorization of the agency, department, division, board or commission of the State of Arizona requesting the issuance of this contract.

3.9. **Federal Immigration and Nationality Act.** The contractor shall comply with all federal, state and local immigration laws and regulations relating to the immigration status of their employees during the term of the contract. Further, the contractor shall conduct this requirement to all subcontractors utilized during the term of the contract. The State shall retain the right to perform random audits of contractor and subcontractor records or to inspect papers of any employee thereof to ensure compliance. Should the State determine that the contractor and/or any subcontractors be found noncompliant, the State may pursue all remedies allowed by law, including, but not limited to, suspension of work, termination of the contract for default and suspension and/or debarment of the contractor.

3.10 **E-Verify Requirements.** In accordance with A.R.S. § 41-4401, Contractor warrants compliance with all Federal immigration laws and regulations relating to employees and warrants its compliance with Section A.R.S. § 23-214, Subsection A.

3.11 **Offshore Performance of Work Prohibited.** Any services that are described in the specifications or scope of work that directly serve the State of Arizona or its clients and involve access to secure or sensitive data or personal client data shall be performed within the defined territories of the United States. Unless specifically stated otherwise in the specifications, this paragraph does not apply to indirect or 'overhead' services, redundant back-up services or services that are incidental to the performance of the contract. This provision applies to work performed by subcontractors at all tiers.

4. **Costs and Payments**

4.1. **Payments.** Payments shall comply with the requirements of A.R.S. Titles 35 and 41, Net 30 days. Upon receipt and acceptance of goods or services, the Contractor shall submit a complete and accurate invoice for payment from the State within thirty (30) days.

4.2. **Delivery.** Unless stated otherwise in the Contract, all prices shall be F.O.B. Destination and shall include all freight delivery and unloading at the destination.

4.3. **Applicable Taxes.**

   4.3.1. **Payment of Taxes.** The Contractor shall be responsible for paying all applicable taxes.

   4.3.2. **State and Local Transaction Privilege Taxes.** The State of Arizona is subject to all applicable state and local transaction privilege taxes. Transaction privilege taxes apply to the sale and are the responsibility of the seller to remit. Failure to collect such taxes from the buyer does not relieve the seller from its obligation to remit taxes.
4.3.3. **Tax Indemnification.** Contractor and all subcontractors shall pay all Federal, state and local taxes applicable to its operation and any persons employed by the Contractor.

4.3.4. **IRS W9 Form.** In order to receive payment the Contractor shall have a current I.R.S. W9 Form on file with the State of Arizona, unless not required by law.

4.4. **Availability of Funds for the Next State fiscal year.** Funds may not presently be available for performance under this Contract beyond the current state fiscal year. No legal liability on the part of the State for any payment may arise under this Contract beyond the current state fiscal year until funds are made available for performance of this Contract.

4.5. **Availability of Funds for the current State fiscal year.** Should the State Legislature enter back into session and reduce the appropriations or for any reason and these goods or services are not funded, the State may take any of the following actions:

4.5.1. Accept a decrease in price offered by the contractor;

4.5.2. Cancel the Contract; or

4.5.3. Cancel the contract and re-solicit the requirements.

5. **Contract Changes**

5.1. **Amendments.** This Contract is issued under the authority of the Procurement Officer who signed this Contract. The Contract may be modified only through a Contract Amendment within the scope of the Contract. Changes to the Contract, including the addition of work or materials, the revision of payment terms, or the substitution of work or materials, directed by a person who is not specifically authorized by the Procurement Officer in writing or made unilaterally by the Contractor are violations of the Contract and of applicable law. Such changes, including unauthorized written Contract Amendments shall be void and without effect, and the Contractor shall not be entitled to any claim under this Contract based on those changes.

5.2. **Subcontracts.** The Contractor shall not enter into any Subcontract under this Contract for the performance of this contract without the advance written approval of the Procurement Officer. The Contractor shall clearly list any proposed subcontractors and the subcontractor’s proposed responsibilities. The Subcontract shall incorporate by reference the terms and conditions of this Contract as applicable to the Subcontractor.

5.3. **Assignment and Delegation.** The Contractor shall not assign any right nor delegate any duty under this Contract without the prior written approval of the Procurement Officer. The State shall not unreasonably withhold approval.

6. **Risk and Liability**

6.1. **Risk of Loss:** The Contractor shall bear all loss of conforming material covered under this Contract until received by authorized personnel at the location designated in the purchase order or Contract. Mere receipt does not constitute final acceptance. The risk of loss for nonconforming materials shall remain with the Contractor regardless of receipt.

6.2. **Indemnification**

6.2.1. **Contractor/Vendor Indemnification (Not Public Agency)** The parties to this contract agree that the State of Arizona, its departments, agencies, boards and commissions shall be indemnified and held harmless by the contractor for the vicarious liability of the State as a result of entering into this contract. However, the parties further agree that the State of Arizona, its departments, agencies,
boards and commissions shall be responsible for its own negligence. Each party to this contract is responsible for its own negligence.

6.2.2. **Public Agency Language Only.** Each party (as 'indemnitor') agrees to indemnify, defend, and hold harmless the other party (as 'indemnitee') from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as 'claims') arising out of bodily injury of any person (including death) or property damage but only to the extent that such claims which result in vicarious/derivative liability to the indemnitee, are caused by the act, omission, negligence, misconduct, or other fault of the indemnitor, its officers, officials, agents, employees, or volunteers."

6.3. **Indemnification - Patent and Copyright.** The Contractor shall indemnify and hold harmless the State against any liability, including costs and expenses, for infringement of any patent, trademark or copyright arising out of Contract performance or use by the State of materials furnished or work performed under this Contract. The State shall reasonably notify the Contractor of any claim for which it may be liable under this paragraph. If the contractor is insured pursuant to A.R.S. § 41-621 and § 35-154, this section shall not apply.

6.4. **Force Majeure.**

6.4.1 Except for payment of sums due, neither party shall be liable to the other nor deemed in default under this Contract if and to the extent that such party's performance of this Contract is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the party affected and occurs without its fault or negligence. Without limiting the foregoing, force majeure includes acts of God; acts of the public enemy; war; riots; strikes; mobilization; labor disputes; civil disorders; fire; flood; lockouts; injunctions-intervention acts; or failures or refusal to act by government authority; and other similar occurrences beyond the control of the party declaring force majeure which such party is unable to prevent by exercising reasonable diligence.

6.4.2. **Force Majeure shall not include the following occurrences:**

6.4.2.1. Late delivery of equipment or materials caused by congestion at a manufacturer's plant or elsewhere, or an oversold condition of the market;

6.4.2.2. Late performance by a subcontractor unless the delay arises out of a force majeure occurrence in accordance with this force majeure term and condition; or

6.4.2.3. Inability of either the Contractor or any subcontractor to acquire or maintain any required insurance, bonds, licenses or permits.

6.4.3. If either party is delayed at any time in the progress of the work by force majeure, the delayed party shall notify the other party in writing of such delay, as soon as is practicable and no later than the following working day, of the commencement thereof and shall specify the causes of such delay in such notice. Such notice shall be delivered or mailed certified-return receipt and shall make a specific reference to this article, thereby invoking its provisions. The delayed party shall cause such delay to cease as soon as practicable and shall notify the other party in writing when it has done so. The time of completion shall be extended by Contract Amendment for a period of time equal to the time that results or effects of such delay prevent the delayed party from performing in accordance with this Contract.

6.4.4. Any delay or failure in performance by either party hereto shall not constitute default hereunder or give rise to any claim for damages or loss of anticipated profits if, and to the extent that such delay or failure is caused by force majeure.

6.5. **Third Party Antitrust Violations.** 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.
7. Warranties

7.1. **Liens.** The Contractor warrants that the materials supplied under this Contract are free of liens and shall remain free of liens.

7.2. **Quality.** Unless otherwise modified elsewhere in these terms and conditions, the Contractor warrants that, for one year after acceptance by the State of the materials, they shall be:
   
   7.2.1. Of a quality to pass without objection in the trade under the Contract description;
   
   7.2.2. Fit for the intended purposes for which the materials are used;
   
   7.2.3. Within the variations permitted by the Contract and are of even kind, quantity, and quality within each unit and among all units;
   
   7.2.4. Adequately contained, packaged and marked as the Contract may require; and
   
   7.2.5. Conform to the written promises or affirmations of fact made by the Contractor.

7.3. **Fitness.** The Contractor warrants that any material supplied to the State shall fully conform to all requirements of the Contract and all representations of the Contractor, and shall be fit for all purposes and uses required by the Contract.

7.4. **Inspection/Testing.** The warranties set forth in subparagraphs 7.1 through 7.3 of this paragraph are not affected by inspection or testing of or payment for the materials by the State.

7.5. **Compliance With Applicable Laws.** The materials and services supplied under this Contract shall comply with all applicable Federal, state and local laws, and the Contractor shall maintain all applicable license and permit requirements.

7.6. **Survival of Rights and Obligations after Contract Expiration or Termination.**
   
   7.6.1. **Contractor's Representations and Warranties.** All representations and warranties made by the Contractor under this Contract shall survive the expiration or termination hereof. In addition, the parties hereto acknowledge that pursuant to A.R.S. § 12-510, except as provided in A.R.S. § 12-529, the State is not subject to or barred by any limitations of actions prescribed in A.R.S., Title 12, Chapter 5.

   7.6.2. **Purchase Orders.** The Contractor shall, in accordance with all terms and conditions of the Contract, fully perform and shall be obligated to comply with all purchase orders received by the Contractor prior to the expiration or termination hereof, unless otherwise directed in writing by the Procurement Officer, including, without limitation, all purchase orders received prior to but not fully performed and satisfied at the expiration or termination of this Contract.

8. State's Contractual Remedies

8.1. **Right to Assurance.** If the State in good faith has reason to believe that the Contractor does not intend to, or is unable to perform or continue performing under this Contract, the Procurement Officer may demand in writing that the Contractor give a written assurance of intent to perform. Failure by the Contractor to provide written assurance within the number of Days specified in the demand may, at the State's option, be the basis for terminating the Contract under the Uniform Terms and Conditions or other rights and remedies available by law or provided by the contract.

8.2. **Stop Work Order.**
   
   8.2.1. The State may, at any time, by written order to the Contractor, require the Contractor to stop all or any part, of the work called for by this Contract for period(s) of days indicated [up to a maximum of 10 business days] by the State after the order is delivered to the Contractor. The order shall be specifically identified as a stop work order issued under
this clause. Upon receipt of the order, the 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 order during the period of work stoppage.

8.2.2. If a stop work order issued under this clause is canceled or the period of the order or any extension expires, the Contractor shall resume work. The Procurement Officer shall make an equitable adjustment in the delivery schedule or Contract price, or both, and the Contract shall be amended in writing accordingly.

8.3. Non-exclusive Remedies. The rights and the remedies of the State under this Contract are not exclusive.

8.4. Nonconforming Tender. Materials or services supplied under this Contract shall fully comply with the Contract. The delivery of materials or services or a portion of the materials or services that do not fully comply constitutes a breach of contract. On delivery of nonconforming materials or services, the State may terminate the Contract for default under applicable termination clauses in the Contract, exercise any of its rights and remedies under the Uniform Commercial Code, or pursue any other right or remedy available to it.

8.5. Right of Offset. The State shall be entitled to offset against any sums due the Contractor, any expenses or costs incurred by the State, or damages assessed by the State concerning the Contractor's non-conforming performance or failure to perform the Contract, including expenses, costs and damages described in the Uniform Terms and Conditions.

9. Contract Termination

9.1. Cancellation for Conflict of Interest. Pursuant to A.R.S. § 38-511, the State may cancel this Contract within three (3) years after Contract execution without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating the Contract on behalf of the State is or becomes at any time while the Contract or an extension of the Contract is in effect an employee of or a consultant to any other party to this Contract with respect to the subject matter of the Contract. The cancellation shall be effective when the Contractor receives written notice of the cancellation unless the notice specifies a later time. If the Contractor is a political subdivision of the State, it may also cancel this Contract as provided in A.R.S. § 38-511.

9.2. Gratuities. The State may, by written notice, terminate this Contract, in whole or in part, if the State determines that employment or a Gratitude was offered or made by the Contractor or a representative of the Contractor to any officer or employee of the State for the purpose of influencing the outcome of the procurement or securing the Contract, an amendment to the Contract, or favorable treatment concerning the Contract, including the making of any determination or decision about contract performance. The State, in addition to any other rights or remedies, shall be entitled to recover exemplary damages in the amount of three times the value of the Gratitude offered by the Contractor.

9.3. Suspension or Debarment. The State may, by written notice to the Contractor, immediately terminate this Contract if the State determines that the Contractor has been debarred, suspended or otherwise lawfully prohibited from participating in any public procurement activity. Submittal of an offer or execution of a contract shall attest that the contractor is not currently suspended or debarred. If the contractor becomes suspended or debarred, the contractor shall immediately notify the State.

9.4. Termination for Convenience. The State reserves the right to terminate the Contract, in whole or in part at any time when in the best interest of the State, without penalty or recourse. Upon receipt of the written notice, the Contractor shall stop all work, as directed in the notice, notify all subcontractors of the effective date of the termination and minimize all further costs to the State. In the event of termination under this paragraph, all documents, data and reports prepared by the Contractor under the Contract shall become the property of and be delivered to the State upon demand. The Contractor shall be entitled to receive just and equitable compensation for work in progress, work completed and materials delivered before the effective date of the termination.
9.5. **Termination for Default.**

9.5.1. In addition to the rights reserved in the contract, the State may terminate the Contract in whole or in part due to the failure of the Contractor to comply with any material term or condition of the Contract, to acquire and maintain all required insurance policies, bonds, licenses and permits, or to make satisfactory progress in performing the Contract. The Procurement Officer shall provide written notice of the termination and the reasons for it to the Contractor.

9.5.2

9.5.3. The State may, upon termination of this Contract, procure, on terms and in the manner that it deems appropriate, materials or services to replace those under this Contract. The Contractor shall be liable to the State for any excess costs incurred by the State in procuring materials or services in substitution for those due from the Contractor.

9.6. **Continuation of Performance Through Termination.** The Contractor shall continue to perform, in accordance with the requirements of the Contract, up to the date of termination, as directed in the termination notice.

10. **Contract Claims**

All contract claims or controversies under this Contract shall be resolved according to A.R.S. Title 41, Chapter 23, Article 9, and rules adopted thereunder.

11. **Arbitration**

The parties to this Contract agree to resolve all disputes arising out of or relating to this contract through arbitration, after exhausting applicable administrative review, to the extent required by A.R.S. § 12-1518, except as may be required by other applicable statutes (Title 41).

12. **Comments Welcome**

The State Procurement Office periodically reviews the Uniform Terms and Conditions and welcomes any comments you may have. Please submit your comments to: State Procurement Administrator, State Procurement Office, 100 North 15th Avenue, Suite 201, Phoenix, Arizona, 85007.