

ARIZONA STATE TREASURER'S OFFICE

1700 WEST WASHINGTON STREET
PHOENIX, ARIZONA 85007



REQUEST FOR PROPOSAL # 15-02
FOR
SAFEKEEPING AND HANDLING OF
STATE AGENCY PLEDGED SECURITIES

*Sealed Written Bids will be
Accepted until 2:00 p.m. (MST)*

November 18, 2015

Jeff DeWit, State Treasurer

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INTRODUCTION

1. INTRODUCTION

This document constitutes a Request for Proposal via competitive sealed proposals for safekeeping and handling of pledged securities received by various state agencies, from qualified individuals and organizations to perform the Scope of Work set forth herein.

2. BACKGROUND/PURPOSE

As noted in Arizona Revised Statutes (A.R.S.) 35-317, among the duties of the Arizona State Treasurer is the responsibility for the safekeeping of all securities for which he is the lawful custodian. In addition, A.R.S. 35-315 authorizes the State Treasurer to contract for all other banking services required by any state agency.

This Request for Proposal is being issued by the Office of the State Treasurer to satisfy a need for a custodial institution to act as the Treasurer's agent in the safekeeping and handling of negotiable securities which have been posted with the State of Arizona by various private companies (hereinafter referred to as the "Depositor").

At the present time, approximately 250 accounts, containing over 350 securities with an estimated value of \$200 Million are set up at the existing custodial institution.

OFFER AND ACCEPTANCE

Offer

The undersigned hereby offers and agrees to furnish the service in compliance with all terms, conditions, scope of work and amendments to the solicitation.

By: _____

Title _____

Company _____

Date _____

By signature in the offer section above, the bidder certifies:

1. The submission of the offer did not involve collusion or other anti-competitive practices.
2. The bidder shall 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 bidder has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with the submitted offer. Failure to provide a valid signature affirming the stipulations required by this clause 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. None of the provisions of the Agreement may be waived, changed or altered except in writing signed by both parties.

Acceptance

The Offer is hereby accepted.

Office of the State Treasurer

By: _____

Title _____

Date _____

SPECIAL INSTRUCTIONS TO BIDDERS

1 Proposal

Proposals are due at the address listed below on or before 2:00 p.m. (MST) on Wednesday, November 18, 2015. Responses must include an original plus four (4) additional copies that will be used in the evaluation process. The original copy of the proposal should be clearly labeled "ORIGINAL". The material should be in sequence and related to the Request for Proposal. Proposals received after the date and time specified herein will not be considered. Proposals shall be opened publicly at the time and place designated on the cover page of this document. The name of each bidder shall be read publicly and recorded. All other information contained in the proposals shall be confidential so as to avoid disclosure of contents prejudicial to competing bidders during the process of negotiation. Prices will **NOT** be read. Proposals will not be subject to public inspection until after contract award. Proposals shall be irrevocable offers for sixty (60) days after the proposal due date.

Office of the State Treasurer
Attn: Lorraine Jones, Deputy Treasurer of Operations
1700 W. Washington
Phoenix, AZ 85007

2 Evaluation

An award(s) shall be made to the responsible bidder whose bid is determined in writing to meet the qualifications, provide the highest value to the state and conforms to the requirements and criteria set forth in this document. *The bidder is cautioned that it is the bidder's sole responsibility to submit all required information and that the State of Arizona is under no obligation to solicit such information if it is not included with the bidder's bid. Failure of the bidder to submit such information may cause an adverse impact on the evaluation of the bidder's bid as to the responsiveness of the bid and the responsibility of the bidder.*

Cost	20%
Conformance to Scope of Work	30%
Method of Approach	25%
Experience	<u>25%</u>
	100

2.1 Cost. The bidder must provide a firm, fixed price for all requirements set forth in this Request for Proposal. All firm, fixed prices must be shown on the pricing schedule of this RFP (Attachment 1) which must be completed and returned with bidder's proposal.

2.1.1 Pricing

- a. Provide a price schedule for this service using those items listed on the bid form (Attachment 1). The only fees that will be accepted as a valid proposal are those called for on the bid form.
- b. Pricing must be submitted in an all-inclusive basis. The Depositor will be responsible for reimbursing the Institution according to the pricing schedule. Should additional services be requested by the Depositor, the Institution and the Depositor shall negotiate the fee.

2.2 Conformance to Scope of Work. The bidder must present a written narrative which demonstrates the method or manner in which the bidder proposes to satisfy the requirements of the Scope of Work. The language of the narrative should be straight forward and limited to fact, solutions to

problems, and plans of proposed action. The written narrative should include specific responses to the items listed below.

- 2.2.1 Transaction Reporting
 - a. What report options are available?
 - b. What online system is available?
 - c. What type of transaction reporting service do you provide?
 - d. What are the minimum system/software requirements to access reporting?
- 2.2.2 Transaction Reconciliation Reporting
 - a. What is your business' standard cut-off for statements and/or reporting?
 - b. How soon after the cut-off date will the following be sent or made available?
 - 1. Statements
 - 2. Reconciliation information
- 2.2.3 Accounting Reporting
 - a. What current day reporting is available through the reporting system?
 - b. How many business days is data stored on the reporting system and available for customer access?
 - c. Describe your business' security procedures for its information reporting system, both for access and information protection.

2.3 Method of Approach.

- 2.3.1 Competitive Position and Future Commitment
 - a. What differentiates your service from other providers?
 - b. How do you plan to keep services current and competitive?
 - 1. What approach is the business taking in the development of new services?
 - 2. What new services or features does the business plan to offer, and within what time frame?
- 2.3.2 Outsourcing
 - a. Are any applications outsourced to a third party? If so, name the vendor(s), and describe the application(s).
 - b. Describe the role of any third-party vendor used by the business to provide this service.
- 2.3.3 Cut-off Times
 - a. What are the opening hours and cut-off times in Mountain Standard Time for processing transactions?
- 2.3.4 Technical Capabilities
 - a. What security procedures are in place (e.g., encryption/authentication)?
 - b. What controls are in place to restrict account access to only those assigned to the relationship?
 - c. How do you plan to keep this product current and competitive as it relates to changes in technology?
 - d. Does the bank utilize Internet capabilities as a method of information delivery? If yes, explain. If no, are there plans to introduce Internet capabilities?
- 2.3.5 Disaster Recovery
 - a. What disaster recovery plans does the business have to avoid interruptions in service?
 - b. Describe the business' disaster recovery plan in detail.
 - c. Where are the off-site facilities located? Are they "hot" sites? Describe locations and

capabilities. Is there an alternative backup site? If yes, describe its location and capabilities.

d. How quickly can the hot site be implemented in the event of an emergency?

2.3.6 Customer Service and Quality

- a. Indicate your business' customer service organizational structure.
- b. Will a specific customer service representative be assigned to handle this business?
- c. Describe the responsibilities of customer service personnel, including the chain of command for problem resolution.
- d. What are the hours of operation of the customer service unit in Mountain Standard Time?
- e. Does your business provide technical customer support for application and communication problems?
- f. Does the business have a formal quality improvement program for this service? If yes, describe.

2.3.7 Implementation

- a. Provide a copy of all agreements that will be required to initiate services.
- b. Provide a detailed description of the implementation process, including testing, and a sample implementation schedule.
- c. What is the average lead time required for implementation?
- d. Describe materials available and/or any on-site training that you provide.
- e. Do you assign an implementation team?

2.4 Experience and reliability. Please submit any information which documents successful and reliable experience in past performances related to the required services contained herein. Also provide any information which documents unsuccessful efforts within the past 36 months.

2.4.1 Personnel

- a. Please list names, titles, locations, phone numbers, and e-mail addresses and provide brief biographies of business contact personnel including years of experience with this type of relationship.
- b. Identify the primary contact assigned to our account. The primary contact should have a minimum of five years' experience servicing/managing this type of relationship and should be located at the same location as employees providing the service.
- c. How many employees do you have in the primary location where key services are provided?

2.4.2 Experience

- a. How long has your business offered the service being requested?
- b. Specify the number of government/business customers using this service.
- c. Provide names and phone numbers of three references, preferably governments who are currently using the service requested. Select a mix of long-standing and recent customers.
- d. Provide any additional information which you believe to be relevant to your capabilities to provide the services requested, e.g., product brochures, articles in trade journals, etc.

UNIFORM INSTRUCTIONS TO BIDDERS

A. **Definition of Terms.** As used in these Instructions, the terms listed below are defined as follows:

1. *“Attachment”* means any item the Solicitation requires a Bidder to submit as part of the Offer.
2. *“Contract”* means the combination of the Solicitation, including the Uniform and Special Instructions to Bidders, 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.
3. *“Contract Amendment”* means a written document signed by the State Treasurer or designee that is issued for the purpose of making changes in the Contract.
4. *“Contractor”* means any person who has a Contract with the State.
5. *“Days”* means calendar days unless otherwise specified.
6. *“Exhibit”* means any item labeled as an Exhibit in the Solicitation or placed in the Exhibits section of the Solicitation.
7. *“Offer”* means bid, proposal or quotation.
8. *“Bidder”* means a vendor who responds to a Solicitation.
9. *“Solicitation”* means an Invitation for Bids (“IFB”), a Request for Proposals (“RFP”), or a Request for Quotations (“RFQ”).
10. *“Solicitation Amendment”* means a written document that is signed by the State Treasurer or designee and issued for the purpose of making changes to the Solicitation.
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.
12. *“State”* means the State of Arizona and Department or Agency of the State that executes the Contract.

B. **Inquiries**

1. Duty to Examine. It is the responsibility of each Bidder to examine the entire Solicitation, seek clarification in writing (inquiries), and examine its’ Offer for accuracy before submitting the Offer. Lack of care in preparing an Offer *shall not* be grounds for modifying or withdrawing the Offer after the Offer due date and time, nor shall it give rise to any Contract claim.
2. Solicitation Contact Person. Any inquiry related to a Solicitation, including any requests for or inquiries regarding standards referenced in the Solicitation shall be directed solely to the Solicitation contact person. The Bidder shall not contact or direct inquiries concerning this Solicitation to any other State employee unless the Solicitation specifically identifies a person other than the Solicitation contact person as a contact.
3. Submission of Inquiries. The State Treasurer or the person identified in the Solicitation as

the contact for inquiries requires that an inquiry be submitted in writing. Any inquiry related to a Solicitation shall refer to the appropriate Solicitation number, page and paragraph. Do not place the Solicitation number on the outside of the envelope containing that inquiry, since it may then be identified as an Offer and not be opened until after the Offer due date and time. The State shall consider the relevancy of the inquiry but is not required to respond in writing.

4. Timeliness. Any inquiry or exception to the solicitation shall be submitted as soon as possible and should be submitted at least seven days before the Offer due date and time for review and determination by the State. Failure to do so may result in the inquiry not being considered for a Solicitation Amendment.

5. No Right to Rely on Verbal Responses. A Bidder shall not rely on verbal responses to inquiries. A verbal reply to an inquiry does not constitute a modification of the solicitation.

6. Solicitation Amendments. The Solicitation shall only be modified by a Solicitation Amendment.

7. Pre-Offer Conference. If a pre-offer conference has been scheduled under this Solicitation, the date, time and location shall appear on the Solicitation cover sheet or elsewhere in the Solicitation. Bidders should raise any questions about the Solicitation or the procurement at that time. A Bidder may not rely on any verbal responses to questions at the conference. Material issues raised at the conference that result in changes to the Solicitation shall be answered solely through a written Solicitation Amendment.

8. Persons with Disabilities. Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the Solicitation contact person. Requests shall be made as early as possible to allow time to arrange the accommodation.

C. Offer Preparation

1. Forms: No Facsimile, Telegraphic or Electronic Mail Offers. An Offer shall be submitted either on the forms provided in this Solicitation or their substantial equivalent. Any substitute document for the forms provided in this Solicitation must be legible and contain the same information requested on the forms, unless the solicitation indicates otherwise. A facsimile, telegraphic, mailgram or electronic mail Offer shall be rejected if submitted in response to requests for proposals or invitations for bids.

2. Typed or Ink; Corrections. The Offer shall be typed or in ink. Erasures, interlineations or other modifications in the Offer shall be initialed in ink by the person signing the Offer. Modifications shall not be permitted after Offers have been opened except as otherwise provided under applicable law.

3. Evidence of Intent to be Bound. The Offer and Acceptance form within the Solicitation shall be submitted with the Offer and shall include a signature (or acknowledgement for electronic submissions, when authorized) by a person authorized to sign the Offer. The signature shall signify the Bidder's intent to be bound by the Offer and the terms of the Solicitation and that the information provided is true, accurate and complete. Failure to submit verifiable evidence of intent to be bound, such as an original signature, shall result in rejection of the Offer.

4. Exceptions to Terms and Conditions. All exceptions included with the Offer shall be submitted in a clearly identified separate section of the Offer in which the Bidder clearly identifies the specific paragraphs of the Solicitation where the exceptions occur. Any exceptions not included in such a section shall be without force and effect in any resulting Contract unless such exception

is specifically accepted by the State Treasurer or designee in a written statement. The Bidder's preprinted or standard terms will not be considered by the State as a part of any resulting Contract.

4.1 Invitation for Bids. An Offer that takes exception to a material requirement of any part of the Solicitation, including terms and conditions, shall be rejected.

4.2 Requests for Proposals. All exceptions that are contained in the Offer may negatively affect the State's proposal evaluation based on the evaluation criteria stated in the Solicitation or result in rejection of the Offer. An offer that takes exception to any material requirement of the solicitation may be rejected.

5. Subcontracts. Bidder shall clearly list any proposed subcontractors and the subcontractor's proposed responsibilities in the Offer. The successful Bidder shall not subcontract any of its responsibilities in the Offer without the prior written consent of the State.

6. Cost of Offer Preparation. The State will not reimburse any Bidder the cost of responding to a Solicitation.

7. Solicitation Amendments. Each Solicitation Amendment shall be signed with an original signature by the person signing the Offer, and shall be submitted no later than the Offer due date and time. Failure to return a signed copy of a Solicitation Amendment may result in rejection of the Offer.

8. Federal Excise Tax. The State of Arizona is exempt from certain Federal Excise Tax on manufactured goods. Exemption Certificates will be provided by the State.

9. Provision of Tax Identification Numbers. Bidders are required to provide their Arizona Transaction Privilege Tax Number and/or Federal Tax Identification number in the space provided on the Offer and Acceptance Form.

9.1 Employee Identification. Bidder agrees to provide an employee identification number or social security number for the purposes of reporting to appropriate taxing authorities, monies paid under this contract. If the federal identifier of the Bidder is a social security number, this number is being requested solely for tax reporting purposes and will be shared only with appropriate state and federal officials. This submission is mandatory under 26 U.S.C. § 6041A.

10. Identification of Taxes in Offer. The State of Arizona is subject to all applicable state and local transaction privilege taxes. All applicable taxes shall be included in the pricing offered in the solicitation. At all times, payment of taxes and the determination of applicable taxes are the sole responsibility of the contractor.

11. Disclosure. If the firm, business or person submitting this Offer has been debarred, suspended or otherwise lawfully precluded from participating in any public procurement activity, including being disapproved as a subcontractor with any Federal, state or local government, or if any such preclusion from participation from any public procurement activity is currently pending, the Bidder shall fully explain the circumstances relating to the preclusion or proposed preclusion in the Offer. The Bidder shall include a letter with its Offer setting forth the name and address of the governmental unit, the effective date of this suspension or debarment, the duration of the suspension or debarment, and the relevant circumstances relating to the suspension or debarment. If suspension or debarment is currently pending, a detailed description of all relevant circumstances including the details enumerated above shall be provided.

12. Solicitation Order of Precedence. In the event of a conflict in the provisions of this Solicitation, the following shall prevail in the order set forth below:

- 12.1 Special Terms and Conditions;
- 12.2 Uniform Terms and Conditions;
- 12.3 Statement or Scope of Work;
- 12.4 Specifications;
- 12.5 Attachments;
- 12.6 Exhibits;
- 12.7 Special Instructions to Bidders;
- 12.8 Uniform Instructions to Bidders;
- 12.9 Other documents referenced or included in the Solicitation.

13. Delivery. Unless stated otherwise in the Solicitation, all prices shall be F.O.B. Destination and shall include all freight, delivery and unloading at the destination(s).

D. Submission of Offer

1. Sealed Envelope or Package. Each Offer shall be submitted to the submittal location identified in this Solicitation. Offers should be submitted in a sealed envelope or container. The envelope or container should be clearly identified with name of the Bidder and Solicitation number. The State may open envelopes or containers to identify contents if the envelope or container is not clearly identified.

2. Offer Amendment or Withdrawal. An Offer may not be amended or withdrawn after the Offer due date and time except as otherwise provided under applicable law.

3. Public Record. All Offers submitted and opened are public records and must be retained by the State. Offers shall be open to public inspection after Contract award, except for such Offers deemed to be confidential by the State. If a Bidder believes that information in its Offer should remain confidential, it shall indicate as confidential the specific information and submit a statement with its Offer detailing the reasons that the information should not be disclosed. Such reasons shall include the specific harm or prejudice which may arise. The State shall determine whether the identified information is confidential pursuant to the Arizona Procurement Code.

4. Non-collusion, Employment, and Services. By signing the Offer and Acceptance Form or other official contract form, the Bidder certifies that:

4.1 The Bidder did not engage in collusion or other anti-competitive practices in connection with the preparation or submission of its Offer; and

4.2 The Bidder does not discriminate against any employee or applicant for employment or person to whom it provides services because of race, color, religion, sex, national origin, or disability, and that it complies with all applicable Federal, state and local laws and executive orders regarding employment.

E. Evaluation

1. Unit Price Prevails. In the case of discrepancy between the unit price or rate and the extension of that unit price or rate, the unit price or rate shall govern.

2. Prompt Payment Discount. Prompt payment discounts of thirty (30) days or more set forth in an Offer shall be deducted from the offer for the purposes of evaluating that price.

3. Late Offers. An Offer submitted after the exact Offer due date and time shall be rejected.
4. Disqualification. A Bidder (including each of its principals) who is currently debarred, suspended or otherwise lawfully prohibited from any public procurement activity shall have its Offer rejected.
5. Offer Acceptance Period. A Bidder submitting an Offer under this Solicitation shall hold its Offer open for the number of days from the Offer due date that is stated in the Solicitation. If the Solicitation does not specifically state a number of days for Offer acceptance, the number of days shall be one hundred-twenty (120). If a Best and Final Offer is requested pursuant to a Request for Proposal, a Bidder shall hold its Offer open for one hundred-twenty (120) days from the Best and Final Offer due date.

5.1 Waiver and Rejection Rights. Notwithstanding any other provision of the Solicitation, the State reserves the right to:

- 5.1.1 Waive any minor informality;
- 5.1.2 Reject any and all Offers or portions thereof; or
- 5.1.3 Cancel the Solicitation.

F. Award

1. Contract inception. An Offer does not constitute a Contract nor does it confer any rights on the Bidder to the award of a Contract. A Contract is not created until the Offer is accepted in writing by the State Treasurer's (or designee) signature on the Offer and Acceptance Form. A notice of award or of the intent to award shall not constitute acceptance of the Offer.
2. Effective Date. The effective date of this Contract shall be the date that the State Treasurer or designee signs the Offer and Acceptance form or other official contract form, unless another date is specifically stated in the Contract.

G. Protests

A protest shall comply with and be resolved according to Arizona Revised Statutes Title 41, Chapter 23, Article 9 and rules adopted there under. Protests shall be in writing and be filed with the State Treasurer's Office. A protest of a Solicitation shall be received by the Office of the State Treasurer before the Offer due date. A protest of a proposed award or of an award shall be filed within ten (10) days after the protester knows or should have known the basis of the protest. A protest shall include:

- 1.1 The name, address and telephone number of the protester;
- 1.2 The signature of the protester or its representative;
- 1.3 Identification of the purchasing agency and the Solicitation or Contract number;
- 1.4 A detailed statement of the legal and factual grounds of the protest including copies of relevant documents; and
- 1.5 The form of relief requested.

SPECIAL TERMS AND CONDITIONS

1 Term of Contract

1.1 The term of contract shall commence from January 1, 2016 and shall remain in effect for a period of three (3) years thereafter unless terminated, canceled or extended as otherwise provided herein.

1.2 The contract shall not bind nor purport to bind the State for any contractual commitment in excess of the original contract period. The Office of the State Treasurer shall have the right, at its sole option, to renew the contract for two (2) one year renewals. If the Office of the State Treasurer exercises such rights, all terms, conditions and provisions of the original contract shall remain the same and apply during the renewal period.

1.3 The contract between the State of Arizona and the Contractor shall consist of the solicitation as amended, any requests for clarifications and/or best and final offers, the proposal submitted by the Contractor, their responses to any requests for clarifications and/or their best and final offer. In the event of a conflict in language between the documents referenced above, the provisions and requirements set forth and/or referenced in the solicitation as amended shall govern. However, the State reserves the right to clarify any contractual requirement in writing, and such written clarification shall govern in case of conflict with the applicable requirements stated in the solicitation as amended or the Contractor's proposal. In all other matters not affected by the written clarification, if any, the solicitation shall govern.

2 Project Management

2.1 The Contractor shall appoint a project manager to be responsible for the planning, progress, and successful completion of all activities during the contract period.

2.2 The Contractor shall, within seven (7) days after the award of the contract, submit a written identification and notification to the State Treasurer of the name, title, address, and telephone number of one (1) individual within its organization as a duly authorized representative to whom all correspondence, official notices, and requests related to the contractor's performance pursuant to the contract shall be addressed. The Contractor shall have the right to change or substitute the name of the individual described above as deemed necessary with written approval of the State Treasurer or designee.

2.3 The State Treasurer shall provide the Contractor with the name of a contact person who will coordinate all information to and/or from the Contractor.

3 Insurance

3.1

Contractor and subcontractors shall procure and maintain, until all of their obligations have been discharged, including any warranty periods under this Contract, insurance against claims for injury to persons or damage to property arising 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 arise out of the performance of the work under this Contract by the Contractor, its agents, representatives, employees or subcontractors, and the Contractor is free to purchase additional insurance.

A. MINIMUM SCOPE AND LIMITS OF INSURANCE: Contractor shall provide coverage 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 coverage.

- 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, as required by this written agreement, to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor.
- b. Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, 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. Policy shall be endorsed, as required by this written agreement, to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities

performed by, or on behalf of, the Contractor involving automobiles owned, hired and/or non-owned by the Contractor.

- b. Policy shall contain a waiver of subrogation endorsement as required by this written agreement 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.

3. Worker's Compensation and Employers' Liability

- Workers' Compensation **Statutory**
- Employers' Liability

Each Accident	\$1,000,00
Disease – Each Employee	\$1,000,00
Disease – Policy Limit	\$1,000,00

- a. Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, 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.
- b. This requirement shall not apply to each Contractor or subcontractor that is exempt under [A.R.S. § 23-901](#), and when such Contractor or subcontractor executes the appropriate waiver form (Sole Proprietor or Independent Contractor).

4. Professional Liability (Errors and Omissions Liability)

- Each Claim \$2,000,000
- Annual Aggregate \$2,000,000

- a. In the event that the professional liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract; and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.
- b. The policy shall cover professional misconduct or negligent acts for those positions defined in the Scope of Work of this contract.

5. Commercial Crime Policy or Blanket Fidelity Bond

- Coverage amount: \$35,000,000

Coverage should include but is not limited to:

- a. Employee Dishonesty (to include coverage for theft and mysterious disappearance and inventory shortage)
- b. Money & Securities Inside/Outside
- c. Computer Fraud
- d. Funds Transferred (if applicable)
- e. Forgery or Alteration
- f. The policy shall be endorsed to include the State of Arizona (and the respective agency) as Loss Payee
- g. The policy shall not contain a condition requiring a conviction or arrest in order to file a claim

6. Network Security (Cyber) and Privacy Liability

- Each Claim \$2,000,000
- Annual Aggregate \$2,000,000
- a. Such insurance shall include, but not be limited to, coverage for third party claims and losses with respect to network risks (such as data breaches, unauthorized access or use, ID theft, theft of data) and invasion of privacy regardless of the type of media involved in the loss of private information, crisis management and identity theft response costs. This should also include breach notification costs, credit remediation and credit monitoring, defense and claims expenses, regulatory defense costs plus fines and penalties, cyber extortion, computer program and electronic data restoration expenses coverage (data asset protection), network business interruption, computer fraud coverage, and funds transfer loss.
- b. In the event that the Network Security and Privacy Liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract and, either continuous coverage will be maintained, or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.
- c. Policy shall be endorsed, as required by this written agreement, to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor.
- d. Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, 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.

B. ADDITIONAL INSURANCE REQUIREMENTS: The policies shall include, or be endorsed to include, as required by this written agreement, 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 limit the Contractor's liability assumed under the indemnification provisions of this Contract.

C. NOTICE OF CANCELLATION: For each insurance policy required by the insurance provisions of this Contract, the Contractor must provide to the State of Arizona, within two (2) business days of receipt, a notice if a policy is suspended, voided, or cancelled for any reason. Such notice shall be mailed, emailed, hand delivered or sent by facsimile transmission to

State of Arizona, State Treasurer's Office
State Capital 1st Floor
1700 W. Washington St.
Phoenix, AZ 85007
Fax: (602) 542-7176
Email: info@aztreasury.gov

D. ACCEPTABILITY OF INSURERS: Contractor's 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 (valid ACORD form or equivalent approved by the State of Arizona) as required by this Contract. An authorized representative of the insurer shall sign the certificates.

All certificates and endorsements, as required by this written agreement, 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. 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 shall be noted on the

certificate of insurance. The State of Arizona reserves the right to require complete copies of all insurance policies required by this Contract at any time.

- F. **SUBCONTRACTORS:** Contractor's certificate(s) shall include all subcontractors as insureds under its policies or Contractor shall be responsible for ensuring and/or verifying that all subcontractors have valid and collectable insurance as evidenced by the certificates of insurance and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum Insurance Requirements identified above. The Department reserves the right to require, at any time throughout the life of the Contract, proof from the Contractor that its subcontractors have the required coverage.
- G. **APPROVAL AND MODIFICATIONS:** The Contracting Agency, in consultation with State Risk, reserves the right to review or make modifications to the insurance limits, required coverages, or endorsements throughout the life of this contract, as deemed necessary. Such action will not require a formal Contract amendment but may be made by administrative action.
- H. **EXCEPTIONS:** In the event the Contractor or subcontractor(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 subcontractor(s) is/are a State of Arizona agency, board, commission, or university, none of the above shall apply.

4 IT 508 Compliance. Unless specifically authorized in the Contract, any electronic or information technology offered to the State of Arizona under this solicitation shall comply with [A.R.S. 41-3531](#) and [41-3532](#) and Section 508 of the Rehabilitation Act of 1973, which requires that employees and members of the public shall have access to and use of information technology that is comparable to the access and use by employees and members of the public who are not individuals with disabilities..

5 Disaster Recovery

5.1 The successful bidder is required to maintain a tested disaster recovery and business continuity plan throughout the term of the contract resulting from this Request for Proposal. This plan, along with any modifications or testing results will be available for review by the Office of the State Treasurer with notice. At a minimum, such disaster recovery plan must specify:

5.1.1 Information regarding the steps taken to avoid interruptions in service availability to the State of Arizona

5.1.2 The recovery time objective (RTO),

5.1.3 The recovery point objective (RPO),

5.1.4 The minimum level of critical support,

5.1.5 The maximum tolerable downtime.

5.1.6 Information regarding at least one alternative processing facility, its capacity and capabilities, and the means by which to information will be accessible if the primary system is out of service.

6 SSAE-16

6.1 The successful bidder must provide its most current report by its independent auditors of its internal controls. SSAE 16 The report must cover the services provided by the contractor resulting from this document.

7 Pandemic Contractual Performance

7.1 The State shall require a written plan that illustrates how the contractor shall perform up to contractual standards in the event of a pandemic. The state may require a copy of the plan at any time prior or post award of a contract. At a minimum, the pandemic performance plan shall include:

- a) Key succession and performance planning if there is a sudden significant decrease in contractor's workforce.
- b) Alternative methods to ensure there are products in the supply chain.
- c) An up to date list of company contacts and organizational chart.

In the event of a pandemic, as declared by the Governor of Arizona, U.S. Government or the World Health Organization, which makes performance of any term under this contract impossible or impracticable, the State shall have the following rights:

- a) After the official declaration of a pandemic, the State may temporarily void the contract(s) in whole or specific sections if the contractor cannot perform to the standards agreed upon in the initial terms.
- b) The State shall not incur any liability if a pandemic is declared and emergency procurements are authorized pursuant to § 41-2537 of the Arizona Procurement Code.
- c) Once the pandemic is officially declared over and/or the contractor can demonstrate the ability to perform, the State, at its sole discretion may reinstate the temporarily voided contract(s).

8 Confidentiality of Records. The Contractor shall establish and maintain procedures and controls acceptable to the State for the purpose of assuring that information or data in its possession is not mishandled, misused, released, disclosed, or used in an inappropriate manner by it, its agents, officers, or employees. This includes information contained in its records obtained from the State or others, necessary for contract performance. The Contractor shall take all reasonable steps and precautions to safeguard this information and data and shall not divulge the information or data to parties other than those needed for the performance of duties under the contract..

9 Indemnification

9.1 To the fullest extent permitted by law, Contractor shall defend, indemnify, save and hold harmless the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees (hereinafter referred to as "Indemnitee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of Contractor or any of its owners, officers, directors, agents, employees or subcontractors. This indemnity includes any claim or amount arising out of, or recovered under, the Workers' Compensation Law or arising out of the failure of such Contractor to conform to any federal, state, or local law, statute, ordinance, rule, regulation, or court decree. It is the specific

intention of the parties that the Indemnitee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnitee, be indemnified by Contractor from and against any and all claims. It is agreed that Contractor will be responsible for primary loss investigation, defense, and judgment costs where this indemnification is applicable. In consideration of the award of this contract, the Contractor agrees to waive all rights of subrogation against the State of Arizona, its officers, officials, agents, and employees for losses arising from the work performed by the Contractor for the State of Arizona.

This indemnity shall not apply if the contractor or sub-contractor(s) is/are an agency, board, commission or university of the State of Arizona.

- 10 Financial Soundness. The State must be notified in writing of any substantial change in the Offeror's financial condition during the term of the Contract. Failure to notify the State of such a substantial change in financial condition will be sufficient grounds for terminating the Contract.

UNIFORM TERMS AND CONDITIONS

- 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 Bidder to submit as part of the Offer.

1.2 "Contract" means the combination of the Solicitation, including the Uniform and Special Instructions to Bidders, 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 State Treasurer or designee 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

2.1 Arizona Law. The Arizona law applies to this Contract including, where applicable, the Uniform Commercial Code as adopted by the State of Arizona and the Arizona Procurement Code, Arizona Revised Statutes (A.R.S.) Title 41, Chapter 23, and its implementing rules, Arizona Administrative Code (A.A.C.) Title 2, Chapter 7.

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;
- 2.3.4 Specifications;
- 2.3.5 Attachments;
- 2.3.6 Exhibits;
- 2.3.7 Documents referenced or included in the Solicitation.

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. 99-4 and all other applicable Federal and State laws, rules and regulations, including the Americans with Disabilities Act.

3.3 Audit. Pursuant to A.R.S. 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. Neither inspection of the Contractor's facilities nor materials testing shall constitute final acceptance of the materials or services. If the State determines noncompliance of the materials, the Contractor shall be responsible for the payment of all costs incurred by the State for testing and inspection.

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 Contact 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 State Treasurer or designee.

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 the 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 flow down 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. Contractor shall, and require all subcontractors to hold the State harmless from any responsibility for taxes, damages and interest, if applicable, contributions required under federal, and/or state and local laws and regulations and any other costs including transaction privilege taxes, unemployment compensation insurance, Social Security and Worker's Compensation.

4.3.4 IRS W9 Form. In order to receive payment the Contractor shall have a current IRS 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;
- 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 State Treasurer or designee 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 State Treasurer or designee 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 State Treasurer or designee. 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.

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 State Treasurer or designee. 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 refusals 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 applied 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 licenses and permit requirements.

7.6 Survival of Rights and Obligations after Contract Expiration or Termination

7.6.1 Contractors 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 State Treasurer or designee, 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 Office of the State Treasurer 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 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 Office of the State Treasurer 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 Gratuity 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 Gratuity 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, including but not limited to, being disapproved as a subcontractor of any public procurement unit or other governmental body. 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 interests 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 accepted before the effective date of the termination. The cost principles and procedures provided in A.A.C. R2-7-701 shall apply.

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 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 Office of the State Treasurer shall provide written notice of the termination and the reasons for it to the Contractor.

9.5.2 Upon termination under this paragraph, all goods, materials, documents, data and reports prepared by the Contractor under the Contract shall become the property of and be delivered to the State on demand.

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 Arbitration

10.1 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).

11 Contract Claims

11.1 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.

SCOPE OF WORK

1 General Requirements

1.1 The Arizona State Treasurer (“Treasurer”) or designee will appoint the successful bidder (“Institution or Contractor”), as the agent for the safekeeping and handling of securities for which the Treasurer is the lawful custodian and that the Treasurer place or cause to be placed in the Institution’s possession, and the Institution agrees to accept such appointment.

1.2 The Institution, at the direction of the Office of the State Treasurer, will provide for transfer of securities from the Institution currently holding the securities prior to January 1, 2015, or on another date if so authorized by the Office of the State Treasurer. The new Institution shall be responsible for the safe transport and delivery of the securities. Transfer of the present securities portfolio will be “free delivery” at no cost to the Office of the State Treasurer or the Depositor. At the conclusion of this contract, any transfers will likewise be at no cost to the Office of the State Treasurer or Depositor.

1.3 The Institution shall process and track completion of the account set-up documents for all accounts.

1.4 The Institution shall accept possession of, and be responsible for the safekeeping of such securities as are delivered to the Institution.

1.5 The term of this contract shall begin on January 1, 2016 and will end at the close of business on December 31, 2018. In addition, the contract can be extended for two (2) one year renewal periods as noted in the SPECIAL TERMS AND CONDITIONS.

1.6 The Office of the State Treasurer will be entitled to cause delivery or withdrawal from the Institution’s possession, during the Institution’s normal business hours, any such securities held by the Institution by giving twenty four (24) hours’ notice to the Institution or at regularly scheduled times.

1.7 Securities will be deposited with or withdrawn from the Institution in accordance with Appendix A for Department of Insurance accounts and Appendix B for Industrial Commission accounts or on similar instructions based on another state agency’s needs.

1.8 Securities will be delivered to the Institution by the Depositor. The deposit of securities shall be pursuant to a written contract (Appendices A & B) signed by the Institution, the Office of the State Treasurer, the State of Arizona (agency or department), and the Depositor. Institution shall only accept and reinvest in eligible securities as outlined in Samples 1 and 2 for the Department of Insurance accounts and Sample 3 for Industrial Commission accounts.

1.9 The Institution will exercise the same degree of care to determine the genuineness of any securities delivered to it, or in its possession, as it would for its own securities. The Office of the State Treasurer and State Agency or Department shall be provided statements and reports of all transactions as required. (See Appendix A; paragraph 13 or Appendix B; paragraph 13 for details.)

1.10 The Institution shall provide via secure Internet access to the Office of the State Treasurer, State Agency or Department and Depositor an electronic data retrieval system that will enable the Treasurer and State Agency or Department to have read and print access of records of securities then on deposit with the Institution. The system should allow the State to obtain and print security portfolio valuation reports, which consider special securities such as GNMA’s or other mortgage backed securities. The Institution will allow the Office of the State Treasurer, State Agency or

Department and Depositor to download data via Internet. (See Appendix A; paragraph 14 or Appendix B; paragraph 14 for details.)

1.11 The Auditor General shall, during the regular business hours established by this Contract, conduct audits to determine the physical presence of securities deposited with the Institution. All information furnished with respect to audits or confirmations to any department or agency of the State of Arizona other than the Office of the State Treasurer, or to the Depositor will be the responsibility of the Institution.

1.12 The Institution will have no responsibility to determine bond or coupon maturities or to determine the existence of bond calls or redemption, stock splits or stock divisions, the exercise of conversion rights or any other similar matters that might affect or relate to the securities in the Institution's possession except as provided in the written contract with Depositor as contained in Appendices A & B.

1.13 The bid price shall be submitted using the attached Pricing Schedule (Attachment 1).

1.14 Any security delivered (other than the initial transfer), or new issue purchased, or any other charge shall be made pursuant to the Contract between the Institution and Depositor, and, shall use the bid amount of this proposal to assess individual charges.

PRICING SCHEDULE

<u>Security Service</u>	<u>Unit Bid Price</u>	<u>Extended Bid Price</u>
Book-Entry Federal Reserve Delivery or Maturity	_____	_____
Depository Trust Corporation or Participants Trust Corporation Delivery or Maturity	_____	_____
Account Set Ups	_____	_____
Principal Pay Downs	_____	_____
Bond Call/Put	_____	_____
Money Wires Out	_____	_____
Corporate Actions	_____	_____
New Issue Security Purchase Charge		
Treasury	_____	_____
Agency	_____	_____
Total Bid	_____	_____

Attachment 2

Current Estimated Volumes

<u>Security Service</u>	<u>Annual Volume</u>
Book-Entry Federal Reserve Delivery or Maturity	135
Depository Trust Corporation or Participants Trust Corporation Delivery or Maturity	75
Account Set Ups	13
Principal Pay Downs	504
Bond Call/Put	21
Money Wires Out	153
Corporate Actions	21
New Issue Security Purchase Charge	
Treasury	91
Agency	81

Office of the State Treasurer
1700 W. Washington Street
Phoenix, Arizona 85007
Telephone: (602) 604-7800 / Fax: (602) 542-7176

**“FINANCIAL INSTITUTION”
AS CUSTODIAN FOR ARIZONA STATE TREASURER**

CUSTODY AGREEMENT

This Custody Agreement (the “Agreement”), made as of this ____ day of _____, 20____, among _____, in its capacity as custodian, hereinafter called “Institution”, the Arizona State Treasurer, hereinafter called “State Treasurer”, the Arizona Department of Insurance, hereinafter called “State Agency”, and _____ hereinafter called “Company”, wherein the Institution shall perform safekeeping duties and provide services as described in this Agreement with respect to Eligible Securities and other property held hereunder.

Recitals

- A. In accordance with Arizona Revised Statutes or pursuant to a Security Deposit Agreement between the State Treasurer, State Agency and Company, Company is required to deliver and maintain a deposit to transact business in the State of Arizona.
- B. Failure of Company to maintain the required deposit may result in regulatory action against Company by State Agency.
- C. Institution desires to provide custodial services with regard to the deposit.
- D. Institution, State Treasurer, State Agency and Company desire to enter into the following agreement for the provision of custodial services.

Terms

1. Definitions

- 1.1 Account. The custodial account established by Institution for Company to maintain the deposit required by the State Agency.
- 1.2 Account Value. At any given time, the sum of the lesser of the market value, par value or amortized value of each Eligible Security held in the Account.
- 1.3 Deficient Account Value. Any time Company’s Account Value falls below Minimum Account Balance.
- 1.4 Deficient Account Value Notice. Written notice of the existence of a Deficient Account Value in Company’s Account as of the close of business on any business day, provided by Institution by facsimile or electronic mail to Company and State Agency by no later than 10:00 a.m. MST on the next business day. Unless otherwise instructed by State Agency, notice of an existing Deficient Account Value to be provided by Institution daily until cured.
- 1.5 Eligible Securities. Securities qualified by statute, rule, order or other determination of the State Agency as specifically set forth in the Samples as may be amended by State Agency from time to time upon 30 days written notice to Institution and Company.
- 1.6 Minimum Account Balance. A specific Account Value set by the State Agency which shall at a minimum be equal to the amount of deposit required under Arizona law, and which Company is required to continuously maintain in the Account. The initial Minimum Account Balance for the Account shall be \$ _____ (_____ Dollars). The Minimum Account Balance may be amended by the State Agency at any time.

1.7 MAB Change Notice. Written notice of a change in the Minimum Account Balance provided by State Agency to Institution and Company.

2. *Deposit by Company*

2.1 Delivery and Maintenance of Deposit. Company agrees to deliver and continuously maintain in the Account Eligible Securities that qualify per the Samples and maintain an Account Value at least equal to the Minimum Account Balance specified by the State Agency from time to time in accordance with the terms of this Agreement.

2.2 Exchanges of Eligible Securities. Company may exchange Eligible Securities in the Account from time to time so long as the Account Value, after giving effect to the exchange, is at least equal to the Minimum Account Balance.

2.3 Maturities. In order to avoid a Deficient Account Value, prior to the maturity date of any Eligible Security, Company agrees to deliver to Institution replacement Eligible Securities or written instructions authorizing Institution to purchase other Eligible Securities on the maturity date.

2.4 Excess Deposit. In the event the Account Value exceeds the Minimum Account Balance, Company may withdraw securities or receive distributions from the Account so long as the Account Value, after the withdrawals or distributions, is at least equal to the Minimum Account Balance.

2.5 Deficient Deposit. Company shall not receive any distributions from Account while it has a Deficient Account Value including but not limited to distributions from any Eligible Securities, income, interest, proceeds, cash balances or other property in the Account. Company may continue to make even exchanges of Eligible Securities. Upon receipt of a Deficient Account Value Notice, Company shall deliver to Institution Eligible Securities so that the Account Value is at least equal to the Minimum Account Balance.

3. *Monitoring of Minimum Account Balance by Institution*

3.1 Monitoring and Deficient Account Value Notices. Institution shall monitor the Account Value for Compliance with the Minimum Account Balance, and issue Deficient Account Value Notices in accordance with Section 1.4 hereof.

3.2 No Releases from Account. Unless otherwise instructed by State Agency, in the event Company's Account has a Deficient Account Value, Institution will not distribute any Eligible Securities, income interest, proceeds, cash balances or other property to Company and will hold all income, interest and cash balances, net of Institution's fees. Company may continue to make even exchanges of Eligible Securities.

3.3 Maturity Notices. Institution shall provide Company a minimum of three written notices, by facsimile or electronic mail, prior to the maturity date of an Eligible Security, at such times as agreed upon by State Agency and Institution.

3.4 Excess Deposit. In the event the Account Value exceeds the Minimum Account Balance, Institution shall permit Company to withdraw securities or receive distributions from the Account in accordance with the conditions of Sections 2, 3 and 18 hereof.

3.5 Intraday Value of Account. Institution shall not be responsible for the failure of the Account Value to be at least equal to the Minimum Account Balance solely due to changes in the market value or amortized value of deposited securities during any given business day. However, this provision does not relieve Institution from its obligations pursuant to Sections 3.1 and 3.2 hereof.

3.6 Confirmation of Account Value by Institution. Upon receipt of a MAB Change Notice, Institution shall, by close of business of same day, send by facsimile or electronic mail, confirmation to the State Agency and the Company that Account Value equals or exceeds the new Minimum Account Balance or issue a Deficient Account Value Notice.

4. *Custodial Services*

4.1 Unless otherwise agreed to by State Agency, Institution shall open Accounts within two business days following receipt of all necessary Account opening documentation. Institution shall accept for deposit into the Account only Eligible Securities. Institution shall safe keep all property delivered to it, shall identify such property on its books and records as held in trust for the State Treasurer, shall receive the income attributable thereto, and shall hold, invest, disburse or otherwise dispose of such income and principal, or its proceeds, pursuant to the provisions of this Agreement. Workers' compensation deposits shall be held for the State Treasurer in trust for the fulfillment of the Company's obligations under the Arizona Workers' Compensation Laws and shall be identified and classified in Institution's automated and paper records in a manner which readily distinguishes Eligible Securities held for workers' compensation from all other Eligible Securities deposited by Company.

4.2 All book-entry securities shall be identified in the Institution's automated and paper records as such. Access to perform safekeeping duties and provide services under this Agreement shall be restricted to authorized Institution personnel assigned to this relationship.

4.3 Institution shall identify the full name of Company or an abbreviation of Company name that is acceptable to the State Agency, in its automated and paper records for Company's account information and shall not change or modify Company name within its records without prior written approval from the State Agency. The Institution shall refer any written or verbal instruction that it receives from Company to change or modify Company's name to the State Agency for authorization prior to making any change or modification.

5. *Responsibility for Assets*

Institution shall be responsible for losses of or damage to the securities or other property under its care, custody and control or under the care, custody and control of its nominee, its agents or a depository selected by it, including but not limited to any loss of or damage to securities occasioned by the negligence or dishonesty of any officers or employees of Institution, nominee, agents or depository, or burglary, robbery, holdup, theft or mysterious disappearance, including loss by damage or destruction. In the event of loss of or damage to the securities under the care, custody and control of Institution or its nominee, a depository or other agent of Institution, Institution shall, upon demand by Company, promptly replace such securities with like kind and quality, together with all rights and privileges pertaining to such securities, or, if acceptable to Company, deliver cash to the custodial account equal to the then fair market value of the securities. Under no circumstances, however, shall Institution be liable for consequential damages under this Agreement for causes beyond its control, which causes shall be war, insurrection, nuclear fission or fusion, radioactivity, seismic activity, earth movement, volcanism, flood, windstorm, hurricane, tornado or lightning.

6. *Examination by Supervisory Authorities*

Institution agrees that at any time upon demand of an examiner contracted or employed by the State Agency, Institution will prepare and deliver to such examiner a written verification of all securities and other property held in the Account by Institution as custodian for Company, including such securities which have been deposited by Institution with a Depository (as hereinafter defined), and such verification shall be signed by an officer of Institution.

7. *Investment Services*

7.1 Institution shall have no responsibility to and shall not initiate any investment, reinvestment or divestment of the property held by it under this Agreement, without direction from Company, except as otherwise provided in this Agreement. Any charges by the Institution with respect to investment services shall be at the prices listed on the attached price sheet.

7.2 Institution may disburse interest coupon payments, principal paydowns, cash from maturities on securities in its custody, or any other income or proceeds received by it on securities held in Account in accordance with Section 3 hereof.

7.3 All sales, purchases, exchanges or other transactions respecting securities or other property which may be made by Institution for the account of Company shall be made only pursuant to instructions from Company or

Company's designated representative, and in accordance with the conditions set forth in this Agreement. In the absence of such instructions, Institution shall have no responsibility for the investment or reinvestment of such property nor liability for any omission to act in the absence of instructions.

7.4 If an acquisition initiated by Company results in a debit balance at settlement of such transaction, Institution shall be entitled to charge interest on such debit balance.

7.5 Company, and not Institution, shall be responsible for all money, securities and/or other property delivered to any broker or other person specified by Company in such manner as Company may direct.

7.6 Institution's duties hereunder shall continue until such time as this Agreement is terminated or until such time as such duties shall be amended in writing as agreed to by the Company, State Treasurer, State Agency, and Institution.

8. *Capital Changes*

It shall be the responsibility of Company to furnish Institution with notification of the declaration, record and payment dates of any dividends or other distributions and of any calls or other capital changes or of information requiring special action concerning each of the securities subject to this Agreement whenever such information is not readily available from reporting services or publications generally accepted and utilized by the securities industry. No knowledge of the above described securities information shall be imputed to the Institution prior to the time it assumed custodial responsibility for any security.

9. *Depository*

Institution may utilize the services of the Federal Reserve Institution or any depository (hereinafter called "Depository"), which is now or hereinafter approved by the Director of the State Agency for the purpose of book-entry deposit and maintenance in Depository of all securities eligible under applicable laws, regulation, and rulings except as limited by written instructions from Company or the State Agency to Institution. Institution may authorize Depository to hold the deposited securities, to receive the income and principal becoming due thereon, to surrender for payment maturing obligations and those called for redemption and to disburse and/or otherwise dispose of said deposited securities and the income thereof upon and pursuant to a written order by Company and to the extent permitted by the terms of this Agreement. Any income received from the surrender of coupons for payment will be credited as directed by Company to the extent permitted by the terms of this Agreement. A Federal Reserve Bank may be used to hold securities of federal agencies that are available only through the Book Entry System of said Federal Reserve Bank.

10. *Nominee Authorized*

Institution is directed to transfer into the name of nominees selected by it, all registered securities from time to time held under this Agreement. Institution shall issue written notice to the State Agency of any transfer of registered securities into the name of Institution's nominee. Institution shall be responsible for the acts of its nominee with respect to such securities. To effect the transfer of registered securities into the name of Institution's nominee, to facilitate the collection of any payment thereon and to effect any other action in relation thereto or in order to meet any requirement thereof, Company authorizes Institution to execute in Company's name, and to deliver, any instrument determined by Institution to be appropriate in furtherance of the purposes hereof, and to guarantee in Institution's name as the signature of Company any signature so placed on such instrument. Institution will not permit book entry securities or securities issued or issuable in bearer form to be transferred to a Depository without having received prior written approval from the State Agency. Securities issued or issuable in bearer form which are held by Institution or transferred to a Depository shall be maintained in bearer form and not registered in the name of Institution's nominee or the Depository's nominee unless at the specific written request of Company.

11. *Directions to Institution*

All directions to the Institution from the State Treasurer, State Agency or Company shall be in writing and signed

by the designated representatives of Company or the authorized personnel of the State Treasurer or State Agency, as appropriate. Notwithstanding Section 23 hereunder and unless Institution is otherwise notified by the State Agency, directions from Company, State Treasurer or State Agency relating to account transactions may be transmitted to the Institution by facsimile or electronic mail and will be deemed received upon telephonic confirmation of receipt by the Institution if facsimile or upon sending if electronic mail. Institution shall not be required to comply with any direction, which in its judgment may subject it to liability or expense, or to prosecute or defend any action, unless indemnified in manner and amount satisfactory to it.

12. *Proxies*

Institution shall not vote proxies. All proxies shall be forwarded to Company.

13. *Statements and Reports*

Institution shall furnish periodic statements in a form acceptable to the State Agency and State Treasurer for all accounts and shall deliver the same to Company or to any representative designated by Company. Institution shall furnish monthly reports (holdings, transactions, and account balance change) in a form acceptable to the State Agency and the State Treasurer within 5 working days following each month end, which itemize all account activity with detailed descriptions and classifications of Eligible Securities and other property held hereunder. On the first day of each month, Institution shall provide the State Agency with a list of Accounts that have Eligible Securities due to mature during the month and an asset rating report in forms acceptable to the State Agency. On a weekly basis, Institution shall provide the State Agency with an Account characteristics report in a form acceptable to the State Agency. On a daily basis, Institution shall provide the State Agency with an Account value report in a form acceptable to the State Agency.

14. *Electronic Data System*

Institution shall provide secure Internet access to the State Treasurer, State Agency and Company that is compatible with the data systems of each to receive daily updated information regarding Eligible Securities and other property currently held in Company's Account, and at least 18 months of historical data including any changes in Eligible Securities and other property held pursuant to this agreement. The electronic data system shall include read and print options in menus that enable query by Company name or Account number, and cusip numbers. The electronic data system shall be compatible to common spreadsheet and word processing software to enable the State Treasurer and the State Agency to download and utilize Company's current account data. The timeliness of information in the Institution's electronic data system shall be no less than transactions performed on the previous business day. At any time that Institution's electronic data system is unavailable to the State Agency, State Treasurer or Company for any reason, Institution shall deliver by facsimile transmission or electronic mail, a detailed report of all transactions performed upon Company Accounts for the business day when the data system was not available, by the close of the next business day, when so requested by the State Agency, State Treasurer or Company. In addition, Institution shall provide specific Account information requested by the State Agency, State Treasurer or Company by the close of the next business day by facsimile transmission, electronic mail or telephonically. Electronic and written notification provided by the Institution to the State Agency, State Treasurer or Company shall clearly specify the type(s) of services and transaction(s) completed, such as release or distribution, receipt or deposit, automatic sweeps of principal funds and income, or a principal funds pay down and shall include the cusip numbers of all affected securities.

15. *Termination of Agreement*

Upon termination and written direction from the State Treasurer, Institution shall transfer the property then held in the Account for Company and Institution shall effect transfer of securities deposited by it on behalf of Company with the Depository to the new custodian, along with all records pertaining to the securities (with a copy of the records to Company). Upon termination, Company shall pay all sums due Institution and shall indemnify Institution in the manner and amount satisfactory to it against all liability incurred in the performance of this Agreement.

16. *Compensation*

Except as hereafter provided, Institution shall be compensated for its services by Company in accordance with

the charges set forth in the attached price sheet. All charges including but not limited to, brokers' commissions resulting from security transactions and all security settlements and deliveries shall be paid by Company. The compensation or expenses charged by Institution for the services rendered under this Agreement shall not be charged to the assets held under this Agreement. However, so long as the Minimum Account Balance is maintained, Institution shall have the right to reduce income generated from such assets for funds that Institution has advanced or for fees owed to the Institution in order to effect the purchase of securities in accordance with the directions of Company. Under no circumstances shall Institution have the right to reduce, offset or encumber such assets with out-of-pocket costs or expenses incurred by it in effecting the sale of securities in accordance with the directions of Company. Notwithstanding the foregoing, so long as the Minimum Account Balance is maintained, Institution may reduce income generated from such assets for out-of-pocket costs or expenses incurred by it in effecting the purchase or sale of securities in accordance with the direction of Company, upon written authorization of Company subsequent to receipt by Company of an invoice itemizing the specific out-of-pocket costs or expenses incurred by the Institution.

17. Failure to Perform

Institution agrees to perform its safekeeping duties and related services described in this Agreement in accordance with prescribed time frames. Failure to act upon Company's, or as applicable, the State Agency's, proper and complete instructions shall constitute a failure by Institution to perform in accordance with this Agreement. The State Agency shall report and document to the State Treasurer all incidents of Institution's failure to perform. The State Treasurer shall, upon recommendation and advisement from the State Agency, determine and impose remedial actions appropriate to the frequency and types of incidents reported by the State Agency. Remedial actions instructed by the State Treasurer to the Institution may include a refund or abatement of fees, out-of-pocket costs and expenses charged to Company by the Institution in the course of a transaction that constituted an incident of the Institution's failure to perform, and reimbursement of a monetary loss experienced and documented by Company as a direct result of an incident of Institution's failure to perform.

18. Receivership or Similar Proceeding

In the event the Institution receives notice from the State Agency, State Treasurer or the Company that Company is placed into receivership, liquidation, rehabilitation, supervision or similar proceedings, Institution will not distribute any Eligible Securities, income, interest, proceeds, cash balances or other property to Company and will hold all income, interest and cash balances, net of Institution's fees unless otherwise instructed by State Agency. Company may continue to make even exchanges of Eligible Securities.

19. Citation Amendments

Any amendment to or repeal of any statute, rule or form cited above occurring during the term of this Agreement is incorporated herein by this reference.

20. Prohibition on Assignment

Company, or any receiver, liquidator, rehabilitator, supervisor or any similar appointee, may not assign this Agreement or any Eligible Securities, distributions, income or other property held under this Agreement without the prior written consent of the State Agency.

21. Designated Representatives

Company may provide written notice of its designated representatives who are authorized to act on its behalf in all matters concerning assets to be held in its Account under this Agreement, in a manner acceptable to the Institution. Written notice shall be signed by an officer of Company who is duly authorized within its bylaws or an authorizing resolution of the board of directors of Company which has been certified by its corporate secretary and shall remain in effect until superseded by a subsequent written notice of designated representatives or by a written notice of termination for designations previously authorized. A designated representative may act in all matters and be responsible for the duties of Company under this Agreement.

22. *Cancellation*

This agreement is subject to cancellation at any time by the Governor pursuant to A.R.S. 38-511.

23. *Notices*

Except as otherwise provided herein, any notices required or permitted to be made hereunder shall be delivered personally or by facsimile or by overnight courier or mailed by certified or express mail, return receipt requested, or by electronic mail except for notice under Section 22 hereof to the following addresses and shall be deemed to have been received when delivered personally, upon telephonic confirmation of receipt of the facsimile, one business day after delivery to overnight courier, or three business days after mailing or upon sending if electronic mail:

If to Company:

Email:

If to Institution:

Email:

If to State Treasurer:

Deputy Treasurer of Operations
Office of the State Treasurer
1700 W. Washington
Phoenix, Arizona 85007
602-604-7800 Facsimile 602-542-7176

If to State Agency:

Email:

IN WITNESS WHEREOF, the parties hereto have caused the Agreement to be executed as of the date first written above.

COMPANY

By: _____
Name: _____
Title: _____
Federal Tax ID Number: _____

ARIZONA STATE TREASURER

By: _____
Name: _____
Title: _____

STATE AGENCY

By: _____
Name: _____
Title: _____

INSTITUTION

By: _____
Name: _____
Title: _____

Sample 1

ELIGIBLE SECURITIES FOR OTHER THAN WORKERS' COMPENSATION DEPOSITS

The Insurance Company and the Institution shall, at all times, assure that the securities on deposit meet the following criteria:

1. U.S. Treasury obligations.
2. Tax-free state and local government general obligations limited to evidences of indebtedness of or within the State of Arizona having and maintaining a rating designation from a NRSRO equivalent to a NAIC 1 or NAIC 2 Designation in accordance with the Purposes and Procedures Manual of the NAIC Investment Analysis Office NAIC Securities Valuation Office and NAIC Structured Securities Group.

NOTE - Any cash received by Institution as a result of income collections or matured Eligible Securities will be automatically swept into a money market fund offered by the Institution that qualifies under the most recent update of Part 6, Section 2(b)(i), "U.S. Direct Obligations/Full Faith and Credit Exempt List" of the Purposes and Procedures Manual of the NAIC Investment Analysis Office NAIC Securities Valuation Office and NAIC Structured Securities Group. Money market fund deposits do not qualify as Eligible Securities and will not be included in the calculation of Account Value.

NAIC = National Association of Insurance Commissioners
NRSRO = Nationally Recognized Securities Rating Organization
SVO = Securities Valuation Office of the NAIC

Sample 2

ELIGIBLE SECURITIES FOR WORKERS' COMPENSATION DEPOSITS

The Insurance Company and the Institution shall, at all times, assure that the securities on deposit meet the following criteria:

1. U.S. Treasury obligations.
2. Fixed income investments having and maintaining a rating designation from a NRSRO equivalent to a NAIC 1 or NAIC 2 Designation in accordance with the Purposes and Procedures Manual of the NAIC Investment Analysis Office NAIC Securities Valuation Office and NAIC Structured Securities Group **excluding** the following:
 - a. mortgage backed securities;
 - b. asset backed securities;
 - c. affiliated bonds;
 - d. capital or surplus debentures;
 - e. private placement bonds; and
 - f. foreign and Canadian securities as classified by the SVO.
3. Money Market Fund offered by the Institution that qualifies under the most recent update of Part 6, Section 2(b)(i), "U.S. Direct Obligations/Full Faith and Credit Exempt List" of the Purposes and Procedures Manual of the NAIC Investment Analysis Office NAIC Securities Valuation Office and NAIC Structured Securities Group.

NOTE - Any cash received by Institution as a result of income collections or matured securities will be automatically swept into Money Market Fund.

NAIC = National Association of Insurance Commissioners
NRSRO = Nationally Recognized Securities Rating Organization
SVO = Securities Valuation Office of the NAIC

Office of the State Treasurer
1700 W. Washington Street
Phoenix, Arizona 85007
Telephone: (602) 604-7800/Fax: (602) 542-7176

**“FINANCIAL INSTITUTION” AS CUSTODIAN FOR THE ARIZONA STATE TREASURER
AND THE INDUSTRIAL COMMISSION OF ARIZONA**

CUSTODY AGREEMENT

This Custody Agreement (“Agreement”), made as of the _____ day of _____ 20_____, is entered into between _____ (Institution”), in its capacity as custodian, the Arizona State Treasurer (“State Treasurer”), and the Industrial Commission of Arizona (“ICA”), and the _____ (Name of Self-Insured Employer) hereinafter called (“Self-insured Employer”). Under the terms of this Agreement, the Institution shall perform safekeeping duties and provide services with respect to Eligible Securities held hereunder.

Recitals

- A. Under A.R.S. § 23-961 (A) (2) and the applicable segments of the Arizona Administrative Code; the ICA may require a deposit or any other security (“deposit”) from an employer seeking initial or continued authority to self-insure for worker’s compensation. This deposit is held for the Industrial Commission of Arizona, in trust for the fulfillment of the Self-insured Employer’s obligations under the Arizona Workers’ Compensation Laws.
- B. Institution desires to provide custodial services with regard to the deposit.
- C. Institution, State Treasurer, ICA and Self-insured Employer now desire to enter into the following agreement for custodial services.

Terms of Agreement

- 1. **Definitions.** The following words shall have the meanings provided.
 - 1.1 **Account.** The custodial account established and monitored by the Institution for the qualified self-insurer’s security deposit as required by the ICA A.R.S. 23-961 and the Arizona Administrative Code to maintain self-insurance authority in Arizona.
 - 1.2 **Eligible Securities.** Eligible Securities are those as specifically set forth in Sample 1, and so qualified by statute, rule, order or other determination of the ICA, and may be amended periodically by the ICA.

- 1.3 Account Value. At any given time, the Account Value shall be the lesser of the market value, par value or amortized value of each Eligible Security in the Account.
- 1.4 Minimum Account Balance. The Initial Minimum Account Balance for the Account shall be (_____) in Eligible Securities. The Minimum Account Balance may be amended by the ICA at any time by written notice to the Institution and Self-insured Employer (“MAB Change Notice”).
2. Deposit. Self-insured Employer shall deliver and maintain only Eligible Securities in the Account. The Self-insured Employer agrees to maintain an Account Value at least equal to the Minimum Account Balance determined by the ICA. Institution will monitor the Account Value and notify the ICA and Self-insured Employer if the Account Value falls below the Minimum Account Balance.
3. Maintenance of Minimum Account Balance. Self-Insured Employer agrees that, by the close of business on the business day after receipt of a MAB Change Notice, it shall deliver to Institution Eligible Securities so that the Account Value is at least equal to the new Minimum Account Balance. No later than the close of business on the second business day following receipt of a MAB Change Notice, Institution shall confirm by facsimile or electronic mail to the ICA that the Self-insured Employer’s Account Value is at least equal to the new Minimum Account Balance. During the term of this Agreement, Institution shall not permit Self-insured Employer to make any withdrawal, disbursement, exchange, or transfer of Eligible Securities or other property from the Account if the Account Value, after giving effect to such transaction, would be less than the Minimum Account Balance. Institution shall not be responsible for the failure of the Account Value to be at least equal to the Minimum Account Balance solely due to changes in the market value or amortized value of deposited securities during any given business day. However, Institution shall provide written notice by facsimile or electronic mail to the ICA and Self-insured Employer by no later than 10:00 a.m. MST on the next business day if, at the close of business on any business day, the Account Value of the Account is less than the Minimum Account Balance.
4. Custodial Services. Institution shall accept for deposit into the Account only Eligible Securities. Institution shall be responsible for monitoring that the Account Value is at least equal to the Minimum Account Balance, and notifying the ICA and Self-insured Employer as provided in this Agreement. Institution shall:
 - 1) Safe keep all property delivered to it; 2) Identify such property (eligible securities) on its books and records as being deposited through the State Treasurer subject to the order of the ICA, and held for the ICA in trust for the fulfillment of the Self-insured Employer’s obligations under the Arizona Workers’ Compensation Laws; 3) Receive the income attribute thereto; and 4) Hold, invest, disburse or otherwise dispose of such income and principal, or its proceeds, pursuant to the provisions of this Agreement.
 - 4.1 All book-entry securities shall be identified in the Institution’s automated and paper records as such. Access to perform safekeeping duties and provide services under this Agreement shall be restricted to authorized Institution personnel only.
 - 4.2 All securities and other property identified or classified by the Self-insured Employer and ICA as the Self-insured Employer’s workers’ compensation deposit shall be so identified and classified in the Institution’s automated and paper records in a manner which readily distinguishes such securities from all other securities deposited by the Self-insured Employer.
 - 4.3 Institution shall identify the full name of the Self-insured Employer or an abbreviation of the Self-insured Employer’s name that is acceptable to the ICA, in its automated and paper records for Self-insured Employer’s account information and shall not change or modify the Self-insured Employer’s name within its records without prior written approval from the ICA. The Institution

shall refer any written or verbal instruction that it receives from the Self-insured Employer to change or modify the Self-insured Employer's name to the ICA for authorization prior to making any change or modification.

5. Responsibility for Assets. Institution shall be responsible for losses of or damage to the securities under its care, custody and control or under the care, custody and control of its nominee, its agents or a depository selected by it, including but not limited to any loss of or damage to securities occasioned by the negligence or dishonesty of any officers or employees on Institution, nominee, agents or depository, or burglary, robbery, holdup, theft or mysterious disappearance, including loss by damage or destruction. In the event of loss of or damage to the securities under the care, custody and control of Institution or its nominee, a depository or other agent of Institution, Institution shall, upon demand by Self-insured Employer, promptly replace such securities with like kind and quality, together with all rights and privileges pertaining to such securities, or, if acceptable to Self-insured Employer, deliver cash to the custodial account equal to the then fair market value of the securities. Under no circumstances, however, shall Institution be liable for consequential damages under this Agreement for causes beyond its control, which causes shall be war, insurrection, nuclear fission or fusion, radioactivity, seismic activity, earth movement, volcanism, flood, windstorm, hurricane, tornado or lightning.
6. Examination by Supervisory Authorities. Institution agrees that at any time upon demand of an examiner contracted or employed by the State Treasurer or ICA, Institution will prepare and deliver to such examiner a written verification of all securities held by Institution as custodian, including such securities which have been deposited by Institution with a Depository (as hereinafter defined), and such verification shall be signed by an officer of Institution.
7. Institution Services.
 - 7.1 Institution shall have no responsibility to and shall not initiate any investment, reinvestment or divestment of the property held by it under this Agreement, without direction from Self-insured Employer except as otherwise provided in this Agreement. Any changes by the Institution with respect to investment services shall be at the prices listed in the fee schedule.
 - 7.2 Except as provided in Sections 7.3, 18 and 19, Self-insured Employer may withdraw and exchange Eligible Securities or other property from the Account, periodically so long as the Account Value, after giving effect to withdrawal or exchange, does not fall below the greater of the Minimum Account Balance or the amount of deposit required by statute.
 - 7.3 Except as provided in Sections 18 and 19, so long as Account Value is at least equal to the Minimum Account Balance, Institution may disburse interest coupon payments, principal pay downs, cash from maturities or securities in its custody, or any other income or proceeds received by it on securities held in Account.
 - 7.4 Except as provided in Sections 18 and 19, all sales, purchases, exchanges or other transactions respecting securities or other property which may be made by Institution for the account of Self-insured Employer shall be made only pursuant to instructions from Self-insured Employer or of Self-insured Employer's designated representative, and in accordance with the conditions set forth in this Agreement. In the absence of such instructions, Institution shall have no responsibility for the investment or reinvestment of such property or liability for any omission to act in the absence of instructions.

- 7.5 If an acquisition initiated by Self-insured Employer results in a debit balance at settlement of such transaction, Institution shall be entitled to charge interest on such debit balance.
- 7.6 Self-insured Employer, not Institution, shall be responsible for all money, securities and/or other property delivered to any broker or other person specified by Self-insured Employer in such manner as Self-insured Employer may direct.
- 7.7 Institution's duties hereunder shall continue until such time as such duties shall terminate as hereinafter provided or until such time as such duties shall be altered in writing, and executed by the Self-insured Employer, State Treasurer, the ICA, and consented to by Institution.
8. Capital Changes. It shall be the responsibility of Self-insured Employer to furnish institution with notifications of the declaration, record and payment dates of any dividends or other distributions and of any calls or other capital changes or of information requiring special action concerning each of the securities subject to this Agreement whenever such information is not readily available from reporting services or publications generally accepted and utilized by the securities industry. No knowledge of the above described securities information shall be imputed to the Institution prior to the time it assumed custodial responsibility for any security.
9. Depository. Institution may utilize the services of the Federal Reserve Institution or any depository (hereinafter called "Depository"), which is now or hereinafter approved by the ICA for the purpose of book-entry deposit and maintenance in Depository of all securities eligible under application laws, regulation, and rulings except as limited by written instructions from Self-insured Employer or the ICA to Institution. Institution may authorize Depository to hold the deposited securities, to receive the income and principal becoming due thereon, to surrender for payment maturing obligations and those called for redemption and to disburse and/or otherwise dispose of said deposited securities and the income thereof upon and pursuant to a written order by Self-insured Employer. Any income received from the surrender of coupons for payment will be credited as directed by Self-insured Employer. The Federal Reserve Institution of San Francisco at Los Angeles may be used to hold securities of federal agencies that are available only through the Book Entry System of said Federal Reserve Institution.
10. Nominee Authorized. Institution is directed to transfer into the name of nominees selected by it, all registered securities from time to time held under this Agreement. Institution shall be responsible for the acts of its nominee with respect to such securities. To effect the transfer of registered securities into the name of Institution's nominee, to facilitate the collection of any payment thereon and to effect any other action in relation thereto or in order to meet any requirement thereof, Self-insured Employer authorizes Institution to execute in Self-insured Employer's name, and to deliver, any instrument determined by Institution to be appropriate in furtherance of the purposes hereof, and to guarantee in Institution's name as the signature of Self-insured Employer any signature so placed on such instrument.

Institution will not permit book entry securities or securities issued or issuable in bearer form to be transferred to a Depository without having received prior written approval from the ICA. Securities issued or issuable in bearer form, which are held by Institution or transferred to a Depository shall be maintained in bearer form and not registered in the name of Institution's nominee or the Depository's nominee unless at the specific written request of Self-insured Employer.

11. Directions to Institution. All directions to the Institution from the ICA or Self-insured Employer shall be in writing and signed by the designated representatives of Self-insured Employer or the authorized personnel of the ICA, as appropriate. Notwithstanding Section 23 hereunder and unless Institution is otherwise notified by the ICA, directions from Self-insured Employer or the ICA relating to account

transactions may be transmitted to the Institution by facsimile and will be deemed received upon receipt by the Institution. Institution shall not be required to comply with any direction, which in its judgment may subject it to liability or expense, or to prosecute or defend any action, unless indemnified in manner and amount satisfactory to it.

12. Proxies. Institution shall not vote proxies. All proxies shall be forwarded to Company.
13. Statements and Reports. Institution shall furnish periodic statements in a form acceptable to the ICA and the State Treasurer for accounts of this type and shall deliver the same to Self-insured Employer or to any representative designated by Self-insured Employer. Institution shall furnish monthly reports in a form acceptable to the ICA and the State Treasurer within five working days following each month end, which itemizes all account activity with detailed descriptions and classifications of securities and other property held hereunder according to the ICA's instructions. Institution shall separately furnish, in a form acceptable to the ICA and the State Treasurer, monthly reports itemizing all cash deposited into a companion account, such as a short-term money market funds account as a result of maturities, interest coupon payments or principal fund pay downs of Self-insured Employer's securities held hereunder.
14. PC-Based Data System. Institution shall provide secure Internet access or a PC-based data system software to State Treasurer and the ICA that is compatible with the PC-based data systems of each to receive daily undated information regarding any changes in securities pledged pursuant to this Agreement. The PC-based data system shall include read and print options in menus that enable query by Self-insured Employer name or account number, and cusip numbers. The data system shall be compatible to common PC database and word processing software to enable State Treasurer and the ICA to download and utilize Self-insured Employer's current account data. The timeliness of information in the Institution's PC-based data system shall be no less than transactions performed on the previous business day. At any time that Institution's PC-based data system is unavailable to the ICA for any reason, Institution shall deliver by facsimile transmission, a detailed report of all transactions performed upon Self-insured Employer Accounts for the business day when the data system was not available, by the close of the next business day, when so requested by the ICA. In addition, Institution shall provide specific account information requested by the ICA by the close of the next business day by facsimile transmission or telephonically. Electronic and written notification provided by the Institution to the ICA shall clearly specify the type(s) of services and transaction(s) completed, such as release or distribution, receipt or deposit, maturity of security to cash funds, or principal funds pay down and shall include the cusip numbers of all affected securities.
15. Termination of Agreement. Upon termination and written direction of the ICA and State Treasurer, Institution shall transfer the property than held in the account for Self-insured Employer and Institution shall effect transfer of securities deposited by it on behalf of Self-insured Employer with the Depository to the new custodian, along with all records pertaining to the securities (with a copy of the records to Self-insured Employer). Upon termination, Self-insured Employer shall pay all sums due Institution and shall indemnify Institution in the manner and amount satisfactory to it against all liability incurred in the performance of this Agreement.
16. Compensation. Except as hereafter provided, Institution shall be compensated for its services by Self-insured Employer in accordance with the charges set forth in the fee schedule. All charges including, but not limited to, brokers' commissions resulting from security transactions and all security settlements and deliveries shall be paid by Self insured Employer. The compensation or expenses charged by Institution for the services rendered under this Agreement shall not be charged to the assets held under this Agreement. However, so long as the Minimum Account Balance is maintained, Institution shall have the right to reduce income generated from such assets for funds that Institution has advanced or for fees

owed to the Institution in order to effect the purchase of securities in accordance with the directions of Self-insured Employer. Under no circumstances shall Institution have the right to reduce, offset or encumber such assets with out-of-pocket costs or expenses incurred by it in effecting the purchase or sale of securities in accordance with the directions of Self-insured Employer. Notwithstanding the foregoing, so long as the Minimum Account Balance is maintained, Institution may reduce income generated from such assets for out-of-pocket costs or expenses incurred by it in effecting the purchase or sale of securities in accordance with the direction of Self-insured Employer, upon written authorization of Self-insured Employer subsequent to receipt of Self-insured Employer of an invoice itemizing the specific out-of-pocket costs or expenses incurred by the Institution.

17. Failure to Perform. Institution agrees to perform its safekeeping duties and related services described in this Agreement in accordance with prescribed time frames. Failure to act upon Self-insured Employer's, or as applicable, the ICA's proper and complete instructions shall constitute a failure by Institution to perform in accordance with this Agreement. The ICA shall report and document to the State Treasurer with a copy to the Institution all incidents of Institution's failure to perform. The State Treasurer shall, upon recommendation and advisement from the ICA, determine and impose remedial actions appropriate to the frequency and types of incidents reported by the ICA. Remedial actions instructed by the State Treasurer to the Institution may include a refund or abatement of fees, out-of-pocket costs and expenses charged to Self-insured Employer by the Institution in the course of a transaction that constituted an incident of the Institution's failure to perform and reimbursement of a monetary loss experienced and documented by Self-insured Employer as a direct result of incident of Institution's failure to perform.
18. Cessation of Distributions from Account. In the event Self-insured Employer becomes insolvent, is placed into bankruptcy or similar proceedings, or has its workers' compensation claims assigned under A.R.S. § 23-966, upon written instructions from the ICA to Institution, Institution will not distribute any Eligible Securities, income, interest, proceeds or cash balances to Self-insured Employer and will hold all income, interest and cash balances, net of Institution's fees as calculated under Section 16. Self-insured Employer may continue to exchange Eligible Securities or cash in the Account with other Eligible Securities.
19. Distribution from Account to ICA. In the event Self-insured Employer has its workers' compensation claims assigned under A.R.S. § 23-966, upon written instructions from the ICA to Institution, Institution will immediately distribute to ICA all Eligible securities or cash held in Account, net of Institution's fees as calculated under Section 16.
20. Citation Amendments. Any amendment to or repeal of any statute, rule or form cited above occurring during the term of this Agreement is incorporated herein by this reference.
21. Designated/Representatives. Self-insured Employer may provide written notice of its designated representatives who are authorized to act on its behalf in all matters concerning assets to be held in its account under this Agreement, in a manner acceptable to the Institution. Written notice shall be signed by an officer or representative of Self-insured Employer who is duly authorized within its bylaws, by corporate resolution, or an authorizing resolution of the governing body of Self-insured Employer, which has been certified and shall remain in effect until superseded by a subsequent written notice of designated representatives or by a written notice of termination for designations previously authorized. A designated representative may act in all matters and be responsible for the duties of Self-insured Employer under this Agreement.
22. Cancellation. This agreement is subject to cancellation at any time by the Governor pursuant to A.R.S. § 38-511.

23. Notices. Except as otherwise provided herein, any notices required or permitted to be made hereunder shall be delivered personally, by facsimile, by overnight courier, or mailed by certified or express mail, return receipt requested, to the following addresses and shall be deemed to have been received when delivered personally, upon telephonic confirmation of receipt of the facsimile, one business day after delivery to overnight courier, or three business days after mailing.

If to Self Insured Company: _____

Email: _____

If to Institution: _____

Email: _____

If to State Treasurer: Deputy State Treasurer of Operations
Office of the State Treasurer
1700 W. Washington
Phoenix, Arizona 85007
Facsimile 602-542-7176
Email:

If to the ICA: Renee Pastor
Industrial Commission of Arizona
800 West Washington, Room 301
Phoenix, Arizona 85007
Facsimile 602-542-3070
Email: rpastor@ica.state.az.us

IN WITNESS WHEREOF, the parties hereto have caused the Agreement to be executed as of the date first written above.

Company

By: _____
Name: _____
Title: _____
Federal Tax ID Number: _____

ARIZONA STATE TREASURER

By: _____
Name: _____
Title: _____

INDUSTRIAL COMMISSION OF ARIZONA

By: _____
Name: Renee Pastor
Title: Self Insurance Manager

Institution

By: _____
Name: _____
Title: _____
Date: _____

SAMPLE 3

ELIGIBLE SECURITIES

The Self-insured Employer and the Institution shall, at all times, assure that the securities on deposit meet the following criteria:

ALL ACCOUNTS

1. Bonds or Treasury Notes that are U.S. Government Treasury guaranteed obligations.
2. Any cash received by the Institution as a result of income collections or matured securities will be automatically swept into the Money Market Fund offered by the Institution which meets the requirements of Item 1 of Sample 1 of this agreement and is referred to as being the: US Treasury Money Market Fund or the US Treasury Obligations Fund until the income is distributed OR the principal funds are reinvested.