



# ARIZONA STATE TREASURER'S OFFICE

**Request for Proposal # 24-01**

## **RFP 24-01: STATE OF ARIZONA MASTER CUSTODY SERVICES**

Sealed Written Proposals will be accepted until  
4:00 P.M. Arizona Time, Monday, March 25, 2024

Chief Procurement Officer: Jackie Harding  
Email: [RFPproposal@aztreasury.gov](mailto:RFPproposal@aztreasury.gov)

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# SECTION 1

## EXECUTIVE SUMMARY

### TITLE

#### RFP 24-01 MASTER CUSTODY SERVICES

### BACKGROUND AND PURPOSE

The Arizona State Treasurer Office (“ASTO”) hereby issues a request for competitive sealed proposals (“RFP”) from qualified vendors to perform the following scope of services. Vendors can choose to bid on one or more or all services listed and will be asked to provide item pricing for each service even if bidding on all services.

#### Master Custodial Services

- Corporate Action, Proxy, Class Action and Litigation Support
- Claims/Settlements
- Cash Management
- Proxy Voting
- Portfolio Screening
- Reporting
- Fund Accounting
- Transfer Agency
- Performance Measurement and Analytics
- Portfolio Management and Compliance

**\*\*\*ASTO reserves the right to award individual service contracts to different vendors for each service listed above.\*\*\***

### ASTO Background

The State of Arizona Treasurer’s Office is entrusted with a variety of funds for safe-keeping and investing. It is the investment policy of ASTO to maintain the safety of principal, maintain liquidity to meet cash flow needs, and provide competitive investment returns. Depending on the source of funds, they can be invested in overnight cash investments to long-only equities for Endowment assets. As of June 30, 2023, total assets under management (AUM) were \$31.2 billion. A breakdown of account structures is listed at the end of Section 1.

The Treasurer’s Office segregates the \$31.2 billion-dollar investment program into three (4) major participant types:

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- Approximately \$17.4 billion is considered “State Agency Funds” which are managed in nine (9) different fixed income pools, seven (7) of those fixed income pools are managed by internal staff and two (2) by one external manager. These pools are managed like bond mutual funds and have approximately 775 accounts.
  - Approximately \$5.9 billion is “Local Government Investment Pools” (LGIP). The LGIP consists of four (4) investment pools and two (2) are managed with a constant \$1 Net Asset Value (“NAV”) with a weighted average maturity of under 90 days that allow for daily liquidity for investors, and two (2) with a floating NAV that allow monthly client activity. 100% of the funds are managed by internal staff, and the funds have approximately 564 investor accounts.
  - Approximately \$7.8 billion is our “Permanent Land Endowment Trust Fund” (PLETF). The PLETF is 100% managed by internal staff on a total return basis with approximately 40% in two fixed income funds, and 60% are in three equity funds. The PLETF has thirteen (13) participants.
  - Additionally, approximately \$70 million is invested in the Arizona Endowment Trust Fund (AETF), also managed internally on a total return basis with 40% in fixed income and 60% in passive equity funds. The AETF has four (4) participants.

All fixed income assets are investment grade, and all equities are publicly traded U.S. domestic equities. The fixed income pools are managed on a daily and/or monthly yield basis and typically have durations of less than five years, though they may operate longer. More than 97% of the funds are managed internally, with two (2) funds managed by an external manager, which is currently US Bancorp Asset Management.

## **INVESTMENT POOLS AND DESCRIPTION AND OBJECTIVES**

### State Agency Pools

POOL 2 - STATE AGENCIES I (U.S. Government, Full Faith and Credit); This pool invests in the full faith and credit of the United States of America, or funds qualified in section IV (10) above that invest in the full faith and credit of the United States of America. The final maturity or, if applicable, average life based on Bloomberg average pre-payment estimates at time of purchase, shall not exceed five years from the settlement date of the purchase. Only participants that are considered to be part of the State's reporting entity will be allowed to participate in this pool.

POOL 3 - STATE AGENCIES II (Diversified Asset Mix);

This pool invests in diversified fixed income assets as noted in section IV above, or funds qualified in section IV (10) that invest in those assets as noted in section IV above. The final maturity, or if applicable average life based on Bloomberg average pre-payment estimates at time of purchase, shall not exceed five years from the settlement date of the purchase. This pool is used by any state agency where the authority to invest references A.R.S. §35-312 or

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A.R.S. § 35-313. Only participants that are considered to be part of the State's reporting entity will be allowed to participate in this pool.

POOL 4 - STATE AGENCIES IV (U.S. Government and Agencies); This pool invests in U.S. Treasury & Agency securities (but, not necessarily required to be guaranteed by the full faith and credit of the U.S. Government), or funds qualified in section IV (10) above that invest in U.S. Treasury and Agency securities. The final maturity or, if applicable, average life based on Bloomberg average pre-payment estimates at time of purchase, shall not exceed five years from the settlement date of the purchase. Only participants that are considered to be part of the State's reporting entity will be allowed to participate in this pool.

POOL 9 - BOARD FUNDING OBLIGATIONS; The only securities issued for this pool are State Infrastructure Bank Board Funding Obligations issued pursuant to A.R.S. §28-7678. The only participant in the pool is the state operating fund.

Pool 9A – PROGRAM FUNDING OBLIGATIONS; This fund may invest in program funding obligations delivered by the credit enhancement eligibility board pursuant to A.R.S. §35-313(16) in reference of A.R.S. §15-2157. This provision is exempt from the five-year maturity restriction, as well as the Debt Concentration Limit found in section III (3.A) above. The only participant in the pool is the state operating fund.

POOL 10 – STATE AGENCIES MEDIUM TERM AND TAX-EXEMPT NON-AMT POOL; This pool will invest in diversified fixed income assets as noted in section IV above, or funds qualified in section IV (10) that invest in those assets as noted in section IV above for the purposes of medium term investments for state operations, In addition, the pool will include securities qualified in section IV (10) that are exempt from federal income tax and not subject to the alternative minimum tax under the United States Internal Revenue Code. The maximum duration of the pool is 5 years. For tax-exempt securities, the pre-refunded date on pre-refunded bonds will be considered the maturity date. For tax-exempt securities, except for those securities issued by the State of Arizona and its political subdivisions, and other municipal issues that have been pre-refunded with obligations issued or guaranteed by the United States or any of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities, securities, at time of purchase, will carry, as a minimum, an A (or equivalent) by any NRSRO. Only participants that are considered to be part of the State's reporting entity will be allowed to participate in this pool.

POOL 15 – STATE AGENCIES OPERATING LIQUIDITY POOL; TRADING CLEARING ACCOUNT This pool is established to provide short-term liquidity for state operations. This pool may also be used as a clearing and settlement account prior to trades settling in respective investment pools on an intra-day basis. Only participants that are considered to be part of the State's reporting entity will be allowed to participate in this pool. This pool invests in diversified fixed income assets as noted in section IV above, or funds qualified in section IV (10) that invest in

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those assets as noted in section IV above. The pool invests in liquid cash equivalents to accommodate the short-term state operations. The final maturity of any fixed-rate security shall not exceed 18 months from the settlement date of the purchase. The final maturity of any variable-rate security shall not exceed two years.

#### Local Government Investment Pools

POOL 5 - LGIP; This pool is for liquid cash equivalent needs of public entities. The pool invests in diversified fixed income assets as noted in section IV above, or funds qualified in section IV (10) that invests in those assets as noted in section IV above. Money market instruments at the time of purchase will carry ratings in the top two categories by any two NRSROs. The final maturity of any fixed-rate security shall not exceed 18 months from the settlement date of the purchase. The final maturity of any variable-rate security shall not exceed two years. The dollar weighted average portfolio maturity (WAM) shall not exceed 90 days.

The portfolio manager shall strive to maintain a Net Asset Value (NAV) of \$1.00 (\$.995 - 1.005) for the pool. Unrealized market value gains/losses exceeding this threshold will be realized against income in that same month to the extent that they exceed the allowable range.

POOL 7 - LGIP – (U.S. Government, Full Faith & Credit); This pool is used for public entities requiring or desiring a liquid investment in a "full faith and credit" pool. Only securities backed by the full faith and credit of the U.S. Government may be purchased for this pool or funds qualified in section IV (10) above that invest in the full faith and credit of the United States of America. The final maturity of any fixed-rate security shall not exceed 18 months from the settlement date of the purchase. The final maturity of any variable-rate security shall not exceed two years. The dollar weighted average maturity (WAM) shall not exceed 90 days. The portfolio manager shall strive to maintain a Net Asset Value (NAV) of \$1.00 (\$.995 - 1.005) for the pool. Unrealized market value gains/losses exceeding this threshold will be realized against income in that same month to the extent that they exceed the allowable range.

POOL 500 – LGIP MEDIUM TERM POOL; This pool is designed to meet the longer-term investment needs of local governments and public entities including trust and treasury monies. This pool invests in diversified fixed income assets as noted in section IV above, or funds qualified in section IV (10) that invests in those assets as noted in section IV above. The final maturity, or applicable average life based on Bloomberg average pre-payment estimates at time of purchase, of any security shall not exceed five years from the settlement date of the purchase. The duration for the pool shall not exceed 1 year greater than the Bloomberg Barclays US Aggregate 1-3 Year Index.

The Net Asset Value (NAV) of the portfolio is a floating price and will fluctuate from its \$1.00 target based on factors such as pool cash flows and market activity. Income generated from investments is distributed monthly. Gains and losses (realized and unrealized) are reflected in the NAV calculated each month.

POOL 700 – LGIP MEDIUM -TERM POOL (U.S. Government, Full Faith & Credit);

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This pool is for local governments and public entities including trust and treasury monies requiring or desiring an investment in a “full faith and credit” pool. Only securities backed by the full faith and credit of the U.S. Government may be purchased for this pool, or funds qualified in section IV (10) above that invest in the full faith and credit of the United States of America. The final maturity, or applicable average life based on Bloomberg average pre-payment estimates at time of purchase, of any security shall not exceed five years from the settlement date of the purchase. The duration for the pool shall not exceed 1 year greater than the Bloomberg Barclays US Treasury1-3 Year Index.

The Net Asset Value (NAV) of the portfolio is a floating price and will fluctuate from its \$1.00 target based on factors such as pool cash flows and market activity. Income generated from investments is distributed monthly. Gains and losses (realized and unrealized) are reflected in the NAV calculated each month.

#### Permanent Land Endowment Trust Pools

##### POOL 201 – PLETF LARGE-CAP EQUITY POOL;

This pool implements a passive index strategy as defined in Section IV (15)(A) and is designed to provide diversification, capital growth and dividend income from the large market-capitalization (Large-Cap) companies in the Standard and Poor’s 500. Target allocation to this pool shall be 30% of the market value of the PLETF as established in Section III (2), Table 1. This pool of domestic equities is intended to produce results similar to the Standard & Poor’s 500 Large-Cap Index.

POOL 202 - PLETF LARGE-CAP EQUAL WEIGHT EQUITY POOL; This pool implements a passive index strategy as defined in Section IV (15)(A) and is designed to provide diversification, capital growth and dividend income from the large market-capitalization (Large-Cap) companies in the Standard and Poor’s 500 Equal Weighted Large-Cap Index. Target allocation to this pool shall be 2.5% of the market value of the PLETF as established in Section III (2), Table 1. This pool of domestic equities is intended to produce results similar to the Standard & Poor’s 500 Equal Weighted Large-Cap Index.

POOL 203 - PLETF MID-CAP EQUITY POOL; This pool implements a passive index strategy as defined in Section IV (15)(A) and is designed to provide diversification, capital growth and dividend income from the middle market-capitalization (Mid-Cap) companies in the Standard and Poor’s 400 Index. Target allocation to this pool shall be 15% of the market value of the PLETF as established in Section III (2), Table 1. This pool of domestic equities is intended to produce results similar to the Standard & Poor’s 400 Mid-Cap Index.

POOL 204 –PLETF SMALL-CAP EQUITY POOL; This pool implements a passive index strategy as defined in Section IV (15)(A) and is designed to provide diversification, capital growth and dividend income from the small market-capitalization (Small-Cap) companies in the Standard and Poor’s 600. Target allocation to this pool shall be 10% of the market value of the PLETF as

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established in Section III (2), Table 1. This pool of domestic equities is intended to produce results similar to the Standard & Poor's SmallCap 600 Index.

POOL 206 - PLETF LARGE-CAP FACTOR BASED EQUITY POOL; This pool implements active index strategies intended as tactical overlays based on pecuniary factors to provide diversification, capital growth and dividend income mostly from large market-capitalization (Large-Cap) companies in the Standard and Poor's 500. Target allocation to this pool shall be 2.5% of the market value of the PLETF as established in Section III (2), Table 1. This pool of domestic equities is intended to produce results superior to the Standard & Poor's 500 Large-Cap Index.

POOL 205 – PLETF LONG-TERM FIXED-INCOME POOL;

This pool is an actively managed fixed income fund designed to provide diversification, cash flow stability and current income to meet the longer-term investment needs of the PLETF. Target allocation to this pool shall be 40% of the market value of the PLETF as established in Section III (2), Table 1. This is a pool of fixed-income securities pursuant to section IV. Pool 205 was established to provide the endowment funds with fixed income exposure and to diversify holdings for the smaller funds. The maximum allowable weighted-average duration is 15 years. Maximum allowable exposure to any credit shall be 5% of the pool market value and 5% of the issuer.

POOL 123 – PLETF DISTRIBUTION FUND; The PLETF distribution fund is an actively managed short-term fixed income fund designed to provide the liquidity necessary for the monthly distributions pursuant to Article X, Section 7 of the Constitution and A.R.S. § 35-319. Pool 123 is a subset of Pool 205.

This pool invests in diversified fixed income assets as noted in section IV above, or funds qualified in section IV (10) that invests in those assets as noted in section IV above.

The final maturity of any fixed-rate security shall not exceed 18 months from the settlement date of the purchase. The final maturity of any variable-rate security shall not exceed two years. The dollar weighted average portfolio maturity (WAM) shall not exceed 90 days. Allocation to this pool is established in Section III (2), Table 1.

FUNDS 101-114 - Monies shall be invested pursuant to Article X, Section 7 of the Constitution to provide income to beneficiaries of the thirteen endowment funds. Allowable investments include shares in Equity Pools and Fixed Income Pools as established by the Board.

#### Arizona Endowment Trust Fund

POOL 301 – ARIZONA ENDOWMENT LARGE-CAP EQUITY POOL;

This pool implements a passive index strategy as defined in Section IV (15)(A) and is designed to provide diversification, capital growth and dividend income from the large market-capitalization (Large-Cap) companies in the Standard and Poor's 500. Target allocation to this pool shall be 35% of the market value of the Arizona Endowment as established in Section II (3),



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Table 2. This pool of domestic equities is intended to produce results similar to the Standard & Poor's 500 Large-Cap Index.

POOL 303 – ARIZONA ENDOWMENT MID-CAP EQUITY POOL; This pool implements a passive index strategy as defined in Section IV (15)(A) and is designed to provide diversification, capital growth and dividend income from the middle market-capitalization (Mid-Cap) companies in the Standard and Poor's 400 Index. Target allocation to this pool shall be 15% of the market value of the Arizona Endowment as established in Section II (3), Table 2. This pool of domestic equities is intended to produce results similar to the Standard & Poor's 400 Mid-Cap Index.

POOL 304 – ARIZONA ENDOWMENT SMALL-CAP EQUITY POOL;

This pool implements a passive index strategy as defined in Section IV (15)(A) and is designed to provide diversification, capital growth and dividend income from the small market-capitalization (Small-Cap) companies in the Standard and Poor's 600. Target allocation to this pool shall be 10% of the market value of the Arizona Endowment as established in Section III (3), Table 2. This pool of domestic equities is intended to produce results similar to the Standard & Poor's SmallCap 600 Index.

POOL 305 – ARIZONA ENDOWMENT LONG-TERM FIXED-INCOME POOL;

This pool is an actively managed fixed income fund designed to provide diversification, cash flow stability and current income to meet the longer-term investment needs of the Arizona Endowment. Target allocation to this pool shall be 40% of the market value of the Arizona Endowment as established in Section III (3), Table 2. This is a pool of fixed income securities pursuant to section IV. Pool 305 was established to provide the endowment funds with fixed-income exposure and to diversify holdings for the smaller funds. The maximum allowable weighted-average duration is 15 years. Maximum allowable exposure to any credit shall be 5% of the pool market value and 5% of the issuer.

#### Separately Managed Account Pools

POOL 12 - CAWCD MEDIUM-TERM POOL;

This pool is established to provide the Central Arizona Water Conservation District with investments with a longer duration pool of securities. The target duration of the pool is 4.5 years. Securities, at time of purchase, will carry, as a minimum, an A or better rating (or equivalent) by any NRSRO. Eligible securities include U.S. Treasury, U.S. agency, corporate notes, MBS/ABS, and money market instruments with a minimum of the top two ratings by any NRSRO or funds qualified in section IV (10) that invests in those assets as noted in section IV above. No state agency or general fund participation is allowed in this pool. CAWCD owns the SECURITIES in this pool (as opposed to SHARES).

POOL 16 – ECDH MEDIUM-TERM POOL;

This pool is established to provide the Early Childhood Development and Health Board with investments with a longer duration pool of securities. The maximum duration of the pool is 5

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years. Securities, at time of purchase, will carry, as a minimum, an A or better rating (or equivalent) by any NRSRO. Eligible securities include those mentioned in Section IV 1-13 of this policy. No state agency or general fund participation is allowed in this pool. ECDH owns the SECURITIES in this pool (as opposed to SHARES).

### **Basic Minimum Qualifications**

If bidding on **ALL** services and acting as qualified custodial bank, respondents must satisfy each of the following minimum qualifications for this RFP. Failure to satisfy each of the requirements will result in the immediate rejection of the proposal. Failure to provide complete information will also result in the rejection of the proposal.

Please annotate “YES” or “NO” where indicated. If evidence is requested, please provide complete documentation.

1. Respondent has a minimum of \$100 billion of total assets under custody as of December 31, 2023. (Yes/No): \_\_\_\_\_  
Institutional Trust/Custody Assets at 12/31/2023 (Complete): \_\_\_\_\_
2. Respondent has a minimum of ten (10) U.S. public fund master custody clients as of December 31, 2023, providing the same or similar services.  
(Yes/No): \_\_\_\_\_
3. Respondent has provided custody services for short term fixed income mutual funds for at least ten (10) years, public or private.  
(Yes/No): \_\_\_\_\_  
If yes, please provide evidence.
4. Respondent has a minimum of ten (10) years in the global master custody business as of December 31, 2023, providing the same or similar services.  
(Yes/No): \_\_\_\_\_  
If yes, please provide evidence.
5. Respondent has an accounting system that provides access to U.S. securities accounts within a uniform framework of accounting treatment, reporting and performance measurement. (Yes/No): \_\_\_\_\_
6. Respondent’s primary client service representative assigned to the account must have had a minimum of ten (10) years’ experience in the master trust/custody field working with mutual funds AND endowments and at least three (3) years of employment at the responding firm.  
(Yes/No): \_\_\_\_\_  
If yes, please provide evidence.

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7. Respondent agrees to provide the services as detailed in the Scope of Work section of this RFP and any other requirements as stated in this RFP.  
(Yes/No): \_\_\_\_\_

If Respondent provided a “NO” response to any of the minimum qualification requirements above, Respondent should not submit a proposal unless choosing to bid on individual items in the scope of services.

The successful proposer will enter into a contract with the State Treasurer for a three-year term with two possible one-year extensions thereafter by mutual agreement. All formal inquiries or requests for significant or material clarification or interpretation must be by e-mail to:

[RFPproposal@aztreasury.gov](mailto:RFPproposal@aztreasury.gov)

Reference “RFP 24-01 Master Custody Services” in the subject line.

#### **AUTHORITY**

The Arizona State Treasurer’s Office (ASTO) is authorized under A.R.S. § 35-315 to contract for Merchant Card Services for the State of Arizona.

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### Breakdown of Account Structure as of June 30, 2023

#### State Agency

Pool 2 FF&C	\$2,394,831,554
Pool 3 Internal	\$5,880,994,992
Pool 3 External	\$113,634,434
Pool 4 Gov.	\$1,116,554,010
Pool 10 Internal	\$967,419,021
Pool 10 External	\$533,057,701
Pool 12 CAWCD	\$566,137,521
Pool 15 Operating	\$5,658,277,826
Pool 16 ECDHB	\$196,748,057
<b>TOTAL</b>	<b>\$17,427,655,115</b>

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#### LGIP Investment

Pool 5 LGIP	\$2,592,936,074
Pool 7 LGIP FF&C	\$2,341,613,712
Pool 500 LGIP Med.	\$653,501,182
Pool 700 LGIP Med FF&C	\$286,146,777
<b>TOTAL LGIP</b>	<b>\$5,874,197,745</b>

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#### Permanent Land Endowment Trust Fund Balances

Pool 201 Large Cap Equity	\$2,866,280,085
Pool 203 Mid-Cap Equity	\$1,217,676,142
Pool 204 Small-Cap Equity	\$768,703,873
Pool 205 Fixed Income	\$2,696,245,485
Pool 123 Cash for Distributions	\$271,787,783

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**Total PLETF** **\$7,820,693,368**

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**Arizona Endowment Trust Fund Balances**

Pool 301 Large Cap Equity \$25,921,310

Pool 303 Mid-Cap Equity \$10,523,565

Pool 304 Small-Cap Equity \$6,664,610

Pool 305 Fixed Income \$25,818,179

**Total AETF** **\$68,927,663**

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## SECTION 2

### OFFER AND ACCEPTANCE

#### TO THE STATE OF ARIZONA:

The Undersigned hereby offers and agrees to provide Master Custody Services in compliance with all terms, conditions, specifications, and amendments in the Solicitation and any written exceptions in the Offer.

Offeror company name	Signature of person authorized to sign Offer
Address	Printed name and title
City, State, ZIP	Contact name and title
Contact email address	Contact phone number

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

1. Will not discriminate against any employee or applicant for employment in violation of Federal Executive Order 11246, [Arizona] State Executive Orders 2023-01 and 2009-9 or A.R.S. §§ 41-1461 through 1465;
2. 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 will result in rejection of the Offer. Signing the Offer with a false statement will void the Offer, any resulting contract, and may be subject to legal penalties under law;
3. Complies with A.R.S. § 18-132 when offering electronics or information technology products, services, or maintenance;
4. Has submitted this Offer as a firm offer for 180 days following the Solicitation due date and time. After 180 days, the Offer will remain open unless revoked by Offeror via written withdrawal of Offeror's proposal in accordance with the Arizona Procurement Code;
5. Did not and will not involve collusion or other anti-competitive practices;
6. Is not debarred from, or otherwise prohibited, from participating in any contract awarded by federal, state, or local government; and
7. For use in Requests for Quotation only, certifies that the above referenced organization \_\_\_ IS/ \_\_\_ IS NOT a small business with less than 100 employees or has gross revenues of \$4 million or less.

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**ACCEPTANCE OF OFFER**

The Offer is hereby accepted.

The Contractor is now bound to sell the materials or services listed by the attached contract and based upon the solicitation, including all terms, conditions, specifications, amendments, etc., and the Contractor’s Offer as accepted by the State.

The Contract shall henceforth be referred to as Contract No. \_\_\_\_\_

The effective date of the Contract is \_\_\_\_\_

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

**Office of the State Treasurer**

This day of \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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## SECTION 3

### SPECIAL INSTRUCTIONS TO OFFERORS

#### TERMS AND DEFINITIONS

For the purpose of this RFP and the ensuing contract, the following terms and definitions will apply:

- 1 "ASTO" means the Arizona State Treasurer's Office.
- 2 "Attachment" means any item the Solicitation requires a Bidder to submit as part of the Offer.
- 4 "Bidder" means a vendor who responds to a Solicitation.
- 5 "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.
- 6 "Contract Amendment" means a written document signed by the ASTO that is issued for the purpose of making changes in the Contract.
- 7 "Contractor" means any person who has a Contract with the State.
- 8 "Days" means calendar days unless otherwise specified.
- 9 "Exhibit" means any item labeled as an Exhibit in the Solicitation or placed in the Exhibits section of the Solicitation.
- 10 "Offer" means bid, proposal or quotation.
- 11 "Solicitation" means an Invitation for Bids ("IFB"), a Request for Proposals ("RFP"), or a Request for Quotations ("RFQ").
- 12 "Solicitation Amendment" means a written document that is signed by the ASTO and issued for the purpose of making changes to the Solicitation.
- 13 "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.
- 14 "State" means the State of Arizona and any Department or Agency of the State that executes the Contract.



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## PROPOSAL

1. **Submission Requirements:** Responses must include 1 ORIGINAL printed copy plus 3 complete electronic versions of the proposal on USB drives, 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. **Note: Offeror shall not submit any documents/USB drives that are password protected.**

Proposals are due at the following address on or before 4:00 p.m. (Arizona Time) on Monday, March 25, 2024. Mail all proposals to:

Jackie Harding Office of the State Treasurer Attn: RFP 24-01 Master Custody Services 1700 W. Washington 1st Floor Room 102 Phoenix, AZ 85007
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All questions should be sent to the Chief Procurement Officer at [RFPproposal@aztreasury.gov](mailto:RFPproposal@aztreasury.gov) and must include "RFP 24-01 Master Custody Services" in the subject line of the email.

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 has been awarded and signed. Proposals shall be irrevocable offers for sixty (60) days after the proposal due date.

2. **Proposed Timeline:**

Figure 1: Schedule	
Event	Date
Distribution of RFP	January 31, 2024
Deadline for Questions	February 12, 2024
Date for Answers to Questions	March 1, 2024
Proposals Due (no later than 4 p.m. Arizona time)	March 25, 2024



Proposals Opening	March 26, 2024
Finalist Presentations (if necessary)	April 15 – 26, 2024
Award Business By	TBD
Contract Start Date	TBD

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## SECTION 4

### EVALUATION CRITERIA

#### MINIMUM CRITERIA

These minimum criteria must be met for a Proposal to be considered for award:

- The offer must be submitted by the deadline;
- The Offeror must provide a signed and complete offer;
- The Offeror must state its interest in performing the various Master Custody Services to the State of Arizona agencies as outlined in the scope of work;
- The Offeror must complete all Arizona Risk and Authorization Management Program (AZRamp) requirements, in their entirety, as described in the statewide enterprise architecture, and statewide Information Technology security policies, standards and procedures as listed in Section 6 – Special Terms and Conditions; and
- Offeror’s answers to Section 8 – Exhibits and Attachments, Exhibits A through G must be responsive and complete.

#### EVALUATION

An award shall be made to the responsible Bidder whose proposal is determined in writing to be the most advantageous to the State based upon the evaluation criteria listed in Figure 2: Weightings. The Bidder is cautioned that it is the Bidder’s sole responsibility to submit information related to the evaluation categories and that the State of Arizona is under no obligation to solicit such information if it is not included with the Bidder’s proposal. Failure of the Bidder to submit such information may have an adverse impact on the evaluation of the Bidder’s proposal as to the responsiveness of the proposal and the responsibility of the Bidder.

Figure 2: Weightings		
Pricing (Cost)	Exhibit A	25%
Conformance to Scope of Work	Exhibit B	35%
Questionnaire	Exhibit C	15%
Experience of Company	Exhibit D	25%

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<b>Total</b>		<b>100%</b>
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Firms selected for final presentations will be expected to actively demonstrate accounting, transfer agency and performance reporting statements and reports using data provided by ASTO. The final firm or firms selected will be required to provide parallel testing of live data for a period of time to ensure the firm’s representations that it can provide the services requested are met. The final presentation may be considered as part of the evaluation category “Conformance to Scope of Work”, inasmuch as the presentations may clarify an Offeror’s capability to meet the requirements listed in the proposal.

### **PRICING**

The bidder must provide a firm, fixed price for any of the requirements set forth in this Request for Proposal whether bidding on all or submitting on individual requirements. All firm, fixed prices or unbundled price(s) for services included in the bid, must be shown on the pricing schedule of this RFP shown in Exhibit A – Pricing, which must be completed and returned with bidder’s proposal.

All pricing shall be submitted using the bid form (Exhibit A). The only fees that will be accepted as a valid proposal are those listed on the original bid form.

### **CONFORMANCE TO SCOPE OF WORK**

The bidder must present a written narrative which demonstrates the method or way the bidder proposes to satisfy the requirements of Exhibit B - Scope of Work. The language of the narrative should be straight forward and limited to fact, solutions to problems, and plans of proposed action. Please include a detailed transition/implementation plan including but not limited to the following information:

- Provide a copy of all agreements that will be required to initiate services.
- Provide a detailed description of the implementation process, including user acceptance testing, and a sample implementation schedule highlighting key deadlines.
- What is the average lead time required for implementation?
- Do you assign a dedicated implementation team for initial and post-implementation?
- Describe materials available and/or any on-site training that you provide.

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## **QUESTIONNAIRE**

The Questionnaire is included as Exhibit C. In answering each question, unless specified otherwise, the term custody department includes fund accounting, performance reporting, and transfer agency. Your response should reflect each of these functions, unless your bid is for specific services and then you must state specifically the functions you are including in your response.

## **EXPERIENCE OF COMPANY**

The Bidder should submit a written narrative that provides a description of the company and the employees that will be involved with the implementation and servicing of the State of Arizona relationship. At minimum, the written narrative should provide the information requested in Exhibit D – Experience of Company.

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## SECTION 5

### SOLICITATION INSTRUCTIONS TO OFFERORS

#### DEFINITION OF TERMS

As used in these instructions, the terms listed below are defined as follows:

- 1 “Attachment” means any item the Solicitation requires an Offeror to submit as part of the offer.
- 2 “Contract” means the combination of the Solicitation, including the Special and Uniform Instructions to Offeror’s, the Special and Uniform 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 ASTO 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 “Offeror” 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 ASTO 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 services required for the performance of the Contract.
- 12 “State” or “State Treasurer” or “ASTO” means the State of Arizona and any Department or Agency of the State that executes the Contract.

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## INQUIRIES

1. Duty to Examine. It is the responsibility of each Offeror to examine the entire Solicitation, seek clarification in writing (inquiries), and examine the 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 Offeror 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. Any inquiry related to a Solicitation shall be by email and shall refer to the appropriate Solicitation number, page and paragraph.
4. Timeliness. Any inquiry or exception to the solicitation shall be submitted as soon as possible and should be submitted at least seven (7) 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. An Offeror 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. Offerors should raise any questions about the Solicitation or the procurement at that time. An Offeror 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 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.

## OFFER PREPERATION

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1. Forms: No Facsimile, Telegraphic or Electronic Mail Offers. An Offer must 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 by a person authorized to sign the Offer. The signature shall signify the Offeror'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 Offeror 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 ASTO in a written statement. The Offeror's preprinted or standard terms will not be considered by the State as a part of any resulting Contract.
    - Invitation for Offers. An Offer that takes exception to a material requirement of any part of the Solicitation, including terms and conditions, shall be rejected.
    - Request 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. The successful Offeror 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 Offeror 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.



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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. Offerors 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.
  10. Employee Identification. Offeror 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 Offeror 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.
  11. 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.
  12. 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 Offeror shall fully explain the circumstances relating to the preclusion or proposed preclusion in the Offer. The Offeror 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.
  13. 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:
    - Special Terms and Conditions;
    - Uniform Terms and Conditions;
    - Statement or Scope of Work
    - Solicitation Instructions to Offerors; and
    - Other documents referenced or included in the Solicitation.

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## SUBMISSION OF OFFER

1. Sealed Envelope or Package. The submission of the offer must include 1 ORIGINAL printed copy plus 3 additional electronic versions of the proposal on USB drives, that will be used in the evaluation process. 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 the name of the Offeror and Solicitation number. The State may open envelopes or containers to identify contents if the envelope or container is not clearly identified. **Note: Offeror shall not submit any documents/USB drives that are password protected.**
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 an Offeror 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 another official contract form, the Offeror certifies that:
  - The Offeror did not engage in collusion or other anti-competitive practices in connection with the preparation or submission of its Offer; and
  - The Offeror 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.
5. Best and Final Offer (BAFO). The BAFO, if requested, must contain all of the documents and attachments indicated in the request for a submitted offer. Make revisions in response to the negotiations/discussions and the Procurement Officer's request for BAFO in all applicable documents. Offeror shall follow any additional instructions from the Procurement Officer regarding requirements for BAFO responses. Offeror may be required to sign and date another "Offer and Acceptance" form.

## MISCELLANEOUS CONSIDERATIONS FOR 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.

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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.

#### **WAIVER OF REJECTION RIGHTS**

Notwithstanding any other provision of the Solicitation, State reserves the right to:

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

#### **AWARD**

1. Most Advantageous to the State. Under A.A.C. R2-7-C317, contracts will be awarded to the responsible offeror(s) whose offer(s) is/are determined to be most advantageous to the State based on the stated evaluation factors set forth in the solicitation.
2. Number of Awards. The State reserves the right to make multiple awards or to award a Contract by individual line items, by group of line items, or to make an aggregate award, or regional awards, whichever is most advantageous to the State.
3. Contract Formation. An Offer does not constitute a Contract, nor does it confer any rights on the Offeror to the award of a Contract. A Contract is not created until the Offer is accepted in writing by the ASTO'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.
4. Effective Date. The effective date of this Contract shall be the date that the ASTO or designee signs the Offer and Acceptance form or other official contract form unless another date is specifically stated in the Contract.
5. Contract Document Consolidation. The State may, at its option, consolidate the resulting contract documents after contract award. Examples of such consolidation are reorganizing Solicitation Documents and those components of the Accepted Offer not pertaining to the

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contract's operation and excluding any components of the Accepted Offer that were not awarded. Contract document consolidation will not, however, include or be construed to include any material change to the Solicitation or the Contract.

## PROTESTS

Any protest of the award will be handled pursuant to A.R.S. Title 41, Chapter 23, Article 9 and Arizona Administrative Code §§ R2-7-A901, *et seq.*, with the undersigned acting in the role as the Chief Procurement Officer and Arizona State Treasurer acting in the role of Director. All references to the State Procurement Administrator in A.A.C. §§ R2-7-A901, *et seq.*, are therefore not applicable to any protests, requests for stay, or appeals arising from this RFP. All protests shall be in writing and filed with the Chief Procurement Officer at [RFPproposal@aztreasury.gov](mailto:RFPproposal@aztreasury.gov). A protest of a Solicitation shall be received by the Chief Procurement Officer before the Offer due date if the alleged improprieties are apparent before the offer due date and time. A protest of a proposed award or of an award shall be filed within ten (10) days after the Chief Procurement Officer makes the procurement file available for public inspection. A protest shall include:

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

An interested party may request a stay of procurement during a protest or appeal pursuant to §§ R2-7-A901, *et seq.* Should the stay requested be denied by the Chief Procurement Officer, the protestant may request a procurement stay from the Arizona State Treasurer, who will serve as the Director in place of the ADOA Director for all requests and appeals under A.A.C. § R2-7-A905(A). An interested party may also appeal a decision entered by the Chief Procurement Officer regarding the protest to the Arizona State Treasurer in writing within 30 days after the date the decision is received under A.A.C. § R2-7-A903. During the procurement process and any protest, there will be a firewall in place between the Chief Procurement Officer and the Director—including all applicable staff.

All requests to the Arizona State Treasurer shall be submitted via email to [RFPproposal@aztreasury.gov](mailto:RFPproposal@aztreasury.gov) addressed to the Chief Procurement Officer.

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## SECTION 6

### SPECIAL TERMS AND CONDITIONS

#### TERM OF CONTRACT

1. The term of contract shall commence on the acceptance of the bid and shall remain in effect for a period of three (3) years thereafter unless terminated, canceled or extended as otherwise provided herein.
2. ASTO reserves the right to extend the contract up to a maximum of twenty-four (24) months.
3. The contract shall not bind nor purport to bind the State for any contractual commitment in excess of the original contract period. ASTO may utilize the option to renew the contract for two (2) one-year renewals, if mutually agreed upon by ASTO and the Contractor. If the ASTO exercises this option, all terms, conditions and provisions of the original contract shall remain the same and apply during the renewal period.

#### PROJECT MANAGEMENT

1. The Contractor shall appoint a project manager to be responsible for the planning; conducting progress; and successful completion of all activities during the contract period.
2. The Contractor shall, within seven (7) days after the award of the contract, submit a written identification and notification to the ASTO 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 ASTO.
3. The ASTO shall provide the Contractor with the name of a contact person who will coordinate all information to and/or from the Contractor.

#### INSURANCE

1. The Contractor shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract, are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in

connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

- The insurance requirements herein are minimum requirements for this Contract and in no way, limit the indemnity covenants contained in this Contract. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, its agents, representatives, employees or subcontractors, and Contractor is free to purchase additional insurance.
2. Commercial General Liability (Policy shall include bodily injury, property damage, personal injury and broad form contractual liability coverage.)

Commercial General Liability	
General Aggregate	\$2,000,000
Products – Completed Operation 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 and its officers, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor.
  - 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. Business Automobile Liability

Bodily Injury and Property Damage for any owned, hired, and/or non-owned vehicles used in the performance of this Contract.

Business Automobile Liability	
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 and its 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, leased, 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.

4. Worker’s Compensation and Employers’ Liability

Worker’s Compensation and Employer’s Liability	
Worker’s Compensation	Statutory
Each Accident	\$1,000,000
Disease-Each Employee	\$1,000,000
Disease-Policy Limit	\$1,000,000

- a. Policy shall contain a waiver of subrogation endorsement 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/Independent Contractor).

5. Commercial Crime Policy or Blanket Fidelity Bond

Commercial Crime Policy or Blanket Fidelity Bond	
Coverage Amount	\$50,000,000

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
- h. Coverage shall be extended to 3<sup>rd</sup> parties.

6. Technology Errors & Omissions Insurance – Required as applicable to the services provided.

Technology Errors and Omissions Liability	
Each Claim	\$2,000,000
Annual Aggregate	\$2,000,000

- Such insurance shall cover any, and all errors, omissions, or negligent acts in the delivery of products, services, and/or licensed programs under this contract.
- Coverage shall include copyright infringement, infringement of trade dress, domain name, title or slogan.
- In the event that the Tech E&O 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.

7. Network Security (Cyber) and Privacy Liability – Required as applicable to the services provided.

Network Security (Cyber) and Privacy Liability	
Each Claim	\$2,000,000
Annual Aggregate	\$2,000,000

- 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.



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- 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.
  - 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 vicarious liability of the insured arising out of the activities performed by or on behalf of the Contractor.
  - Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, in favor of the State of Arizona, and its department, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

8. ADDITIONAL INSURANCE REQUIREMENTS: The policies shall include, or be endorsed to include the following provisions:

- The Contractor's policies, as applicable, shall stipulate that the insurance afforded the Contractor shall be primary 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).
- Insurance provided by the Contractor shall not limit the Contractor's liability assumed under the indemnification provisions of this Contract.

9. NOTICE OF CANCELLATION: Applicable to all insurance policies required within the Insurance Requirements of this Contract, Contractor's insurance shall not be permitted to expire, be suspended, be canceled, or be materially changed for any reason without thirty (30) days prior written notice to the State of Arizona. Within two (2) business days of receipt, Contractor must provide notice to the Arizona State Treasurer's office if they receive notice of a policy that has been or will be suspended, canceled, materially changed for any reason, has expired, or will be expiring. Such notice shall be sent directly to the Department and shall be mailed, emailed, hand delivered or sent by facsimile transmission to:

Arizona State Treasurer's Office  
1700 W. Washington Street  
Suite 102  
Phoenix, AZ 85007  
Fax: (602) 542-7176  
Email: [info@aztreasury.gov](mailto:info@aztreasury.gov)

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10. 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 and Financial Institutions 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.

11. 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) evidencing that Contractor has the insurance as required by this Contract. An authorized representative of the insurer shall sign the certificates.

- All such certificates of insurance and policy endorsements must be received by the State before work commences. The State's receipt of any certificates of insurance or policy endorsements that do not comply with this written agreement shall not waive or otherwise affect the requirements of this agreement.
- 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 such 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, certified copies of all insurance policies required by this Contract at any time.

12. SUBCONTRACTORS: Contractors' certificate(s) shall include all subcontractors as insured 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 this contract, proof from the Contractor that its subcontractors have the required coverage.

13. 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.

14. EXCEPTIONS: In the event the Contractor or sub-contractor(s) is/are a public entity, then the Insurance Requirements shall not apply. Such public entity shall provide a Certificate of self-

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insurance. If the Contractor or sub-contractor(s) is/are a State of Arizona agency, board, commission, or university, none of the above shall apply.

15. **INDEMNIFICATION:** To the fullest extent permitted by law, Contractor shall defend, indemnify, 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 judgement 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, its officers, officials, agents, and employees for losses arising from the work performed by the Contractor for the State of Arizona. This indemnification will survive the termination of the above listed contract with the Contractor.

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.

16. If 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.
17. The policy shall cover professional misconduct or lack of ordinary skill for those positions defined in the Scope of Service of this contract.

## **DISASTER RECOVERY**

1. The successful Offeror is required to maintain a tested disaster recovery and business continuity plan throughout the term of the contract resulting from this Request for

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Proposal. This plan, along with any modifications or testing results will be available for review by the ASTO with notice.

2. At a minimum, such disaster recovery plan will
  - a. Include information regarding the steps taken to avoid interruptions in service availability to the State of Arizona.
  - b. The plan must address the recovery time objective (RTO)
  - c. The recovery point objective (RPO)
  - d. The establishment of a minimum level of critical support
  - e. A maximum tolerable downtime.
  - f. Information regarding at least one alternative processing facility, its capacity and capability levels, along with specific methods to provide access to information if the primary system is out of service.

### **SSAE-18**

The successful bidder must provide its most current report by its independent auditors of its internal controls. The SSAE-18 report must cover the services provided by the contractor resulting from this document.

### **PANDEMIC CONTRACTUAL PERFORMANCE**

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.
2. 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.

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- 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).

**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.

## **WARRANTIES AND REQUIREMENTS RELATED TO ARIZONA INFORMATION TECHNOLOGY STATEWIDE POLICIES, STANDARDS, AND PROCEDURES**

### Security Standards

Security of the State’s systems and data are of **utmost** importance to the State. In order to assure security from a personnel and operations perspective, Contractor shall comply with all requirements, in their entirety, as described in the statewide enterprise architecture; statewide Information Technology security policies, standards, and procedures; and any applicable agency-specific Information Technology security policies, standards, and procedures.

The Contractor shall follow the correct, current version of these policies, standards, and procedures. The current website for some of these policies, standards, and procedures is: [Information Technology Policies, Standards and Procedures](#). Note that this link is provided for convenience only.

For security reasons, some state facilities require non-state personnel to have escorts. If required by the state facility, Contractor personnel shall only be allowed inside of a State facility if accompanied by an escort designated by the State. This is applicable in Correctional facilities, Public Safety facilities, State Lottery, and other facilities as designated by the State.

### Prerequisite Assessment of Arizona Baseline Infrastructure Security Controls

To be susceptible for award, Offerors are required to complete and pass the Arizona Baseline Infrastructure Security Controls Prerequisite Assessment provided below and submit **as separate attachment** as part of the Offer.

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Arizona Department of Homeland Security (AZDOHS) Cyber Command has established a NIST 800-53 revision 4 based process to assess risk associated with storing, processing, and transmitting State of Arizona Data with Software as a Service (SaaS), Platform as a Service (PaaS), and Infrastructure as a Service (IaaS) vendors.

The [State Data Classification Policy](#) (8110) and a Confidentiality, Integrity, Availability (CIA) model are used to determine which level of assessment to administer for the vendor's Infrastructure / IaaS. A Microsoft Excel spreadsheet is currently used for each level of assessment.

The solicitation requires the Offeror to complete the Arizona Baseline Infrastructure Security Controls prerequisite assessment spreadsheet, which can be found at:

- <https://azdohs.gov/file/4357>
- Must be submitted as a Spreadsheet document within the electronic submission.
- Contractor is required to provide any requested documentation to include System Security Plan (SSP), policies, and procedures supporting the review of the assessment.

AZDOHS Cyber Command will evaluate, and rank submitted Arizona Baseline Infrastructure Security Controls for completeness, attention to detail, and understanding of NIST security controls and framework. AZDOHS Cyber Command will forward assessment results and recommendations to the Procurement Officer. Results of these IT security control reviews are for internal use only and will not be shared with responding bidders but may impact the Offeror's susceptibility for award.

**All Offerors must complete the assessment above, and complete with their Offers as a separate attachment. This task is a mandatory requirement for an Offeror to be susceptible for award.**

\*NOTE: If the contractor will be receiving data solely from a third party and NOT any State of Arizona agency or entity, the contractor will not need to undergo an AZRamp assessment. The State will assume that an AZRamp assessment is required until the bidder proves otherwise.

In the State's sole discretion, the State may also accept current FedRamp and StateRamp certifications as evidence that the Contractor has met the State's risk assessment requirements.

Other forms of CyberSecurity Frameworks (CSF), Trust Documents, Self-Attestations, including, but not limited to, ISO/IEC, SOC 2 & 3, PCI, or HIPAA reports of compliance, may be reviewed as part of the State's risk assessment, but are not exclusive or conclusive evidence that the Contractor has met the State's risk assessment requirements.

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## Additional Security Requirements

The State reserves the right to conduct risk assessments, vulnerability assessments, black-box penetration tests or hire a third party to conduct risk assessments, vulnerability assessments, and black-box penetration tests of the Contractor's environment. The contractor will be alerted in advance and arrangements made for an agreeable time. The contractor shall respond to all flaws deemed serious by the State when discovered by providing an acceptable timeframe to resolve the issue and/or implement a compensating control(s).

Upon request, Contractor shall submit copies of system logs from Contractor's environment to the State of AZ security team in the format requested to be added to the State SIEM (Security Information Event Monitor) or IDS (Intrusion Detection System).

Contractor shall comply with all applicable State and Federal laws and regulations, including, but not limited to, the following (please note that the links are provided for convenience only and may change):

- State of Arizona statewide policies, standards and procedures: <https://azdohs.gov/information-technology-it-policies-standards-and-procedures>;
- Federal Information Security Modernization Act of 2014 (FISMA): <https://csrc.nist.gov/topics/laws-and-regulations/laws/fisma>;
- OMB Circular A-130: <https://www.federalregister.gov/documents/2016/07/28/2016-17872/revision-of-omb-circular-no-a-130-managing-information-as-a-strategic-resource>;
- National Cyber Strategy of the United States of America: <https://www.cisa.gov/executive-order-strengthening-cybersecurity-federal-networks-and-critical-infrastructure>;
- Health Insurance Portability and Accountability Act (HIPAA) including Business Associate Agreement/ Health Information Technology for Economic and Clinical Health Act (HITECH): <https://www.hhs.gov/hipaa/index.html>;
- Tax Information Security Guidelines for Federal, State and Local Agencies: Safeguards for Protecting Federal Tax Returns and Return Information (IRS Publication 1075): <https://www.irs.gov/pub/irs-pdf/p1075.pdf>;
- Criminal Justice Information Services Security Policy (CJIS): <https://www.fbi.gov/services/cjis/cjis-security-policy-resource-center>;

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- Centers for Medicare & Medicaid Services (CMS), Minimum Acceptable Risk Standards for Exchanges (MARS-E):  
<https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/2-MARS-E-v2-0-Minimum-Acceptable-Risk-Standards-for-Exchanges-11102015.pdf>;
  - A.R.S. Title 41, Chapter 41. Arizona Department of Homeland Security;
  - A.R.S. §18-104 - Arizona Department of Administration, Arizona Strategic Enterprise Technology (ADOA-ASET), Powers and duties of the agency:  
<https://www.azleg.gov/arsDetail/?title=18>;
  - A.R.S. §18-105 - Statewide Information Security and Privacy Office (SISPO):  
<https://www.azleg.gov/viewdocument/?docName=http%3A//www.azleg.gov/ars/18/00105.htm>;
  - A.R.S. §18-551 - Definitions Information Security Including PII:  
<https://www.azleg.gov/ars/18/00551.htm>;
  - A.R.S. §18-552 - Notification of security system breaches; requirements; enforcement; civil penalty; preemption; exceptions:  
<https://www.azleg.gov/ars/18/00552.htm>;
  - Arizona Executive Order 2008-10 – Mitigating Cyber Security Threats:  
<https://aset.az.gov/node/192>;
  - SIPC Memorandum of Understanding (MOU): <https://www.sipc.org/about-sipc/>;
  - State Environmental policies: <https://azdeq.gov/LawsAndRules>;
  - Family Education Rights Privacy Act (FERPA):  
<https://www2.ed.gov/policy/gen/guid/fpco/ferpa/index.html?src=rn>;
  - Driver’s Privacy Protection Act (DPPA): <https://azdot.gov/motor-vehicles/driver-services/driver-license-information/motor-vehicle-records>;
  - Incident Response Reporting program and system:  
[https://aset.az.gov/sites/default/files/P8240%20Incident%20Response%20Planning\\_Sept2018\\_0.pdf](https://aset.az.gov/sites/default/files/P8240%20Incident%20Response%20Planning_Sept2018_0.pdf);
  - Privacy Incident Reporting policy and standards:  
<https://aset.az.gov/sites/default/files/STANDARD%208240%20INCIDENT%20RESPONSE%20PLANNING.pdf>;
  - State of Arizona Library, Archives and Public Records, Records Management Division, General Retention Schedules <https://azlibrary.gov/arm/policies>; and
  - Payment Card Industry (PCI) Security Standards including but not limited to Supplemental Documents, Information Supplements and Validation Requirements: <https://www.pcisecuritystandards.org>.



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## DATA AND INFORMATION HANDLING:

This section applies to the extent the Work includes handling of any (1) State's proprietary and sensitive data or (2) confidential or access-restricted information obtained from State or from others at State's behest.

Data Protection and Confidentiality of Information. Contractor warrants that it will establish and maintain procedures and controls acceptable to State for ensuring that State's proprietary and sensitive data is protected from unauthorized access and information obtained from State or others in performance of its contractual duties is not mishandled, misused, or inappropriately released or disclosed. For purposes of this paragraph, all data created by Contractor in any way related to the Contract, provided to Contractor by State, or prepared by others for State are proprietary to State, and all information by those same avenues is State's confidential information. To comply with the foregoing warrant:

1. Contractor shall: (a) notify State immediately of any unauthorized access or inappropriate disclosures, whether stemming from an external security breach, internal breach, system failure, or procedural lapse; (b) cooperate with State to identify the source or cause and respond to each unauthorized access or inappropriate disclosure; and (c) notify State promptly of any security threat that could result in unauthorized access or inappropriate disclosures; and
2. Contractor shall not: (a) release any such data or allow it to be released or divulge any such information to anyone other than its employees or officers as needed for each person's individual performance of his or her duties under the Contract, unless State has agreed otherwise in advance and in writing; or (b) respond to any requests it receives from a third party for such data or information, and instead route all such requests to State's designated representative.

Personally Identifiable Information. Without limiting the generality of this paragraph, Contractor warrants that it will protect any personally identifiable information ("PII") belonging to State's employees or other contractors or members of the general public that it receives from State or otherwise acquires in its performance under the Contract. For purposes of this paragraph:

1. PII has the meaning given in the [federal] Office of Management and Budget (OMB) Memorandum M-17-12 Preparing for and Responding to a Breach of Personally Identifiable Information, January 3, 2017; and
2. "Protect" means taking measures to safeguard personally identifiable information and

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prevent its breach that are functionally equivalent to those called for in that OMB memorandum and elaborated on in the [federal] General Services Administration (GSA) Directive CIO P 2180.1 GSA Rules of Behavior for Handling Personally Identifiable Information.

NOTE (1): For convenience of reference only, the OMB memorandum is available at: <https://dpcl.d.defense.gov/Privacy/Authorities-and-Guidance/>

NOTE (2): For convenience of reference only, the GSA directive is available at: [www.gsa.gov](http://www.gsa.gov).

Protected Health Information. Contractor warrants that, to the extent performance under Contract involves individually identifiable health information (referred to hereinafter as protected health information (“PHI”) and electronic PHI (“ePHI”) as defined in the Privacy Rule referred to below), it:

- a. is familiar with and will comply with the applicable aspects of the following collective regulatory requirements regarding patient information privacy protection: (a) the “Privacy Rule” in CFR 45 Part 160 and Part 164 pursuant to the Health Insurance Portability and Accountability Act (“HIPAA”) of 1996; (b) Arizona laws, rules, and regulations applicable to PHI/ePHI that are not preempted by CFR 45-160(B) or the Employee Retirement Income Security Act of 1974 (“ERISA”) as amended; and (c) State’s current and published PHI/ePHI privacy and security policies and procedures;
- b. will cooperate with State in the course of performing under the Contract so that both State and Contractor stay in compliance with the requirements in (1) above; and
- c. will sign any documents that are reasonably necessary to keep both State and Contractor in compliance with the requirements in (1) above, in particular “Business Associate Agreements” in accordance with the Privacy Rule.

NOTE: For convenience of reference only, the Privacy Rule is available at: <http://www.hhs.gov/hipaa/for-professionals/privacy/index.html>

**INFORMATION TECHNOLOGY WORK:** this section applies to any Invitation for Bids, Request for Proposals, or Request for Quotations for "Information Technology," as defined In A.R.S. § 18-101(6), “...all computerized and auxiliary automated information processing, telecommunications and related technology, including hardware, software, vendor support and related services, equipment and projects” if and to the extent that the Work is or includes Information Technology.

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Background Checks. Each Contractor's personnel who is an applicant for an information technology position must undergo the security clearance and background check procedure, which includes fingerprinting, as required by A.R.S. §41-710. Contractor shall obtain and pay for the security clearance and background check. Contractor personnel who will have administrator privileges on a State network must additionally provide identity and address verification and undergo State-specified training for unescorted access, confidentiality, privacy, and data security.

### Information Access

1. **SYSTEM MEASURES.** The Contractor shall employ appropriate system management and maintenance, fraud prevention and detection, and encryption application and tools to any systems or networks containing or transmitting State's proprietary data or confidential information.
2. **INDIVIDUAL MEASURES.** Contractor personnel shall comply with applicable State policies and procedures regarding data access, privacy, and security, including prohibitions on remote access and obtaining and maintaining access identifications (IDs) and passwords. The contractor is responsible to the State for ensuring that any State access IDs and passwords are used only by the person to whom they were issued. Contractor shall ensure that personnel are only provided the minimum only such level of access necessary to perform his or duties. The contractor shall on request, provide a current register of the access IDs and passwords and corresponding access levels currently assigned to its personnel.
3. **ACCESS CONTROL.** Contractor is responsible to State for ensuring that hardware, software, data, information, and that has been provided by State or belongs to or is in the custody of State and is accessed or accessible by Contractor personnel is only used in connection with carrying out the Work and is never commercially exploited in any manner whatsoever not expressly permitted under the Contract. State may restrict access of Contractor personnel, or instruct Contractor to restrict their access, if in its determination the requirements of this subparagraph are not being met.

### Pass-Through Indemnity

1. **INDEMNITY FROM THIRD PARTY.** For computer hardware or software included in the Work as discrete units that were manufactured or developed solely by a third party, Contractor may satisfy its indemnification obligations under the Contract by, to the extent permissible by law, passing through to State such indemnity as it receives from the third-party source (each a "Pass-Through Indemnity") and cooperating with State in enforcing that indemnity. If the third party fails to honor its Pass-Through Indemnity, or if

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a Pass-Through Indemnity is insufficient to indemnify State Indemnitees to the extent and degree, Contractor is required to do by the Uniform Terms and Conditions, then Contractor shall indemnify, defend and hold harmless State Indemnitees to the extent the Pass-Through Indemnity does not.

2. NOTIFY OF CLAIMS. State shall notify Contractor promptly of any claim to which a Pass-Through Indemnity might apply. Contractor, with reasonable consultation from State, shall control of the defense of any action on any claim to which a Pass-Through Indemnity applies, including negotiations for settlement or compromise, provided that:
  - a. State reserves the right to elect to participate in the action at its own expense;
  - b. State reserves the right to approve or reject any settlement or compromise on reasonable grounds and if done so timely; and
  - c. State shall in any case cooperate in the defense and any related settlement negotiations.

Systems and Controls: In consideration for State having agreed to permit Pass-Through Indemnities in lieu of direct indemnity, Contractor agrees to establish and keep in place systems and controls appropriate to ensure that State funds under this Contract are not knowingly used for the acquisition, operation, or maintenance of Materials or Services in violation of intellectual property laws or a third party's intellectual property rights.

#### Redress of Infringement

1. REPLACE, LICENSE, OR MODIFY. If Contractor becomes aware that any Materials or Services infringe, or are likely to be infringing, on any third party's intellectual property rights, then Contractor shall, at its sole cost and expense and in consultation with State, either:
  - a. replace any infringing items with non-infringing ones;
  - b. obtain for State the right to continue using the infringing items; or
  - c. modify the infringing items so that they become non-infringing, so long as they continue to function as specified following the modification.
2. CANCELLATION OPTION. In every case listed above, if none of those options can reasonably be accomplished, or if the continued use of the infringing items is impracticable, State may cancel the relevant Order or terminate the Contract, and Contractor shall take back the infringing items. If State does cancel the Order or terminate the Contract, Contractor shall refund to State:
  - a. for any software created for State under the Contract, the amount State paid to Contractor for creating it;
  - b. for all other Materials, the net book value of the product provided according to generally accepted accounting principles; and
  - c. for Services, the amount paid by State or an amount equal to 12 (twelve) months of

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charges, whichever is less.

3. EXCEPTIONS. Contractor will not be liable for any claim of infringement based solely on any of the following by a State Indemnitee:
  - a. modification or use of Materials other than as contemplated by the Contract or expressly authorized or proposed by a Contractor Indemnitor;
  - b. operation of Materials with any operating software other than that supplied by Contractor or authorized or proposed by a Contractor Indemnitor; or
  - c. combination or use with other products in a manner not contemplated by the Contract or expressly authorized or proposed by a Contractor Indemnitor.

#### First Party Liability Limitation

1. LIMIT. Subject to the provisos that follow below and unless stated otherwise in the Special Terms and Conditions, State's and Contractor's respective first party liability arising from or related to the Contract is limited to the greater of \$1,000,000 (one million dollars) or 3 (three) times the purchase price of the specific Materials or Services giving rise to the claim.
2. PROVISOS. This paragraph limits liability for first party direct, indirect, incidental, special, punitive, and consequential damages relating to the Work regardless of the legal theory under which the liability is asserted. This paragraph does not limit liability arising from any:
  - a. Indemnified Claim against which Contractor has indemnified State Indemnitees
  - b. claim against which Contractor has indemnified State Indemnitees; or
  - c. provision of the Contract calling for liquidated damages or specifying amounts or percentages as being at-risk or subject to deduction for performance deficiencies.
3. PURCHASE PRICE DETERMINATION. If the Contract is for a single-agency and a single Order (or if no Order applies), then "purchase price" in Subparagraph 14.7.1 above means the aggregate Contract price current at the time of Contract expiration or earlier termination, including all Contract Amendments having an effect on the aggregate price through that date. In all other cases, "purchase price" above means the total price of the Order for the specific equipment, software, or services giving rise to the claim, and therefore a separate limit will apply to each Order.
4. NO EFFECT ON INSURANCE. This paragraph does not modify the required coverage limits, terms, and conditions of, or any insured's ability to claim against any insurance that Contractor is required by the Contract to provide, and Contractor shall obtain express endorsements that it does not.

#### Information Technology Warranty

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1. SPECIFIED DESIGN. Where the Scope of Work for information technology, Work provides a detailed design specification or sets out specific performance requirements, Contractor warrants that the Work will provide all functionality material to the intended use stated in the Contract, provided that, the foregoing warranty does not extend to any portions of the Materials that are:
    - a. modified or altered by anyone not authorized by Contractor to do so;
    - b. maintained in a way inconsistent to any applicable manufacturer recommendations;  
or
    - c. operated in a manner not within its intended use or environment.
  2. COTS SOFTWARE. With respect to Materials provided under the Contract that are commercial-off-the-shelf (COTS) software, Contractor warrants that:
    - a. to the extent possible, it will test the software before delivery using commercially available virus detection software conforming to current industry standards;
    - b. the COTS software will, to the best of its knowledge, at the time of delivery be free of viruses, backdoors, worms, spyware, malware, and other malicious code that could hamper performance, collect unlawfully any personally identifiable information, or prevent products from performing as required by the Contract; and
    - c. it will provide a new or clean install of any COTS software that State has reason to believe contains harmful code.
  3. PAYMENT HAS NO EFFECT. The warranties in this paragraph are not affected by State's inspection, testing, or payment.

Specific Remedies. Unless expressly stated otherwise elsewhere in the Contract, State's remedy for breach of warranty includes, at State's discretion, re-performance, repair, replacement, or refund of any amounts paid by State for the nonconforming Work, plus (in every case) Contractor's payment of State's additional, documented, and reasonable costs to procure materials or services equivalent in function, capability, and performance that was first called for. For clarification of intent, the foregoing obligations are limited by the limitation of liability. If none of the foregoing options can reasonably be affected, or if the use of the materials by State is made impractical by the nonconformance, then State may seek any remedy available to it under law.

Section 508 Compliance. Unless specifically authorized in the Contract, any electronic or information technology offered to the State of Arizona under this Contract shall comply with A.R.S. § 18-131 and § 18-132 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.

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Cloud Applications. The following are required for Contractor of any cloud solution that hosts State data outside of the State’s network or transmits and/or receives State data.

1. Submit a completed Arizona Baseline Infrastructure Security Controls assessment spreadsheet as found at: <https://azdohs.gov/file/4357>, and mitigate or install compensating controls for any issues of concern identified by State. Contractor is required to provide any requested documentation supporting the review of the assessment. The assessment shall be re-validated on a minimum annual basis.
2. The State reserves the right to conduct penetration tests or hire a third party to conduct penetration tests of the Contractor’s application. The contractor will be alerted in advance and arrangements made for an agreeable time. The contractor shall respond to all serious flaws discovered by providing an acceptable timeframe to resolve the issue and/or implement a compensating control.
3. Contractors must submit a copy of system logs from the cloud system to the State of Arizona security team on a regular basis to be added to the State SIEM (Security Information Event Monitor) or IDS (Intrusion Detection System).
4. The contractor must employ a government-rated cloud compartment to better protect sensitive or regulated State data.

**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.

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## SECTION 7

### UNIFORM TERMS AND CONDITIONS

#### DEFINITION OF TERMS

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

1. Attachment. "Attachment" means any item the solicitation which required the Offeror to submit as part of the offer:
2. Contract. "Contract" means the combination of the Solicitation, including the Instructions to Offerors, the Uniform and Special Terms and Conditions, and the Specifications and Statement or Scope of Work; the Offer and any Best and Final Offers; and any Solicitation Amendments or Contract Amendments.
3. Contract Amendment. "Contract Amendment" means a document signed by the Procurement Officer that has been issued for the purpose of making changes to the Contract.
4. Contractor. "Contractor" means any person who has a contract with the State.
5. Data. "Data" means recorded information, regardless of form or the media on which it may be recorded. The term may include technical data or computer software. The term does not include information incidental to contract administration, such as financial, administrative, cost or pricing, or management information.
6. Days. "Days" means calendar days unless otherwise specified.
7. Exhibit. "Exhibit" means any item labeled as an Exhibit in the Solicitation or placed in the Exhibits section of the Solicitation generally containing maps, schematics, examples of reports, or other documents that will be used to perform the requirements of the Scope of Work after contract award.
8. Gratuity. "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.



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9. Materials. “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.
  10. Procurement Officer. “Procurement Officer” means the person, or his or her designee, who has been duly authorized by the State to enter into and administer the Contract and to make written determinations with respect to the Contract.
  11. Services. “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.
  12. State. “State” means any department, commission, council, board, bureau, committee, institution, agency, government corporation or other establishment or official of the executive branch or corporation commission of the State of Arizona that executes the Contract.
  13. State Fiscal Year. “State Fiscal Year” means the period beginning with July 1 and ending June 30.
  14. State Indemnitees. “State Indemnitees” means, collectively, the State of Arizona, its departments, agencies, universities, commissions, and boards and, and their respective officers, agents, and employees.
  15. Subcontract. “Subcontract” means any Contract, express or implied, between the Contractor and another party or between a subcontractor and another party, delegating, in whole or in part, the making or furnishing of any material or any service required for the performance of the Contract.
  16. Subcontractor. “Subcontractor” means a person who contracts to perform work or render Services to a Contractor or to another Subcontractor as a part of a Contract with the State.

## **CONTRACT INTERPRETATION**

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. 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.

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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:

The Solicitation Documents, in the order:

- Special Terms and Conditions;
  - Uniform Terms and Conditions;
  - Statement or Scope of Work;
  - Specifications;
  - Attachments;
  - Exhibits;
  - Any other documents referenced or included in the Solicitation including, but not limited to, any Bid or Offer documents provided by the Contractor that do not fall into one of the above categories.
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.
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.
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.
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.

### **CONTRACT ADMINISTRATION AND OPERATION**

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

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at reasonable times. Upon request, the Contractor shall produce a legible copy of any or all such records.

2. Non-Discrimination. Contractor shall comply with Executive Orders 2023-09, 2023-01, and 2009-9, and any and all other applicable Federal and State laws, rules and regulations, including the Americans with Disabilities Act. The contractor shall include these provisions in contracts with subcontractors when required by Federal or State law.
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.
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 as required under A.R.S. § 41-2547. 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 non-compliance of the Materials, the Contractor shall be responsible for the payment of all costs incurred by the State for testing and inspection.
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.
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 ASTO.
7. Continuous Improvement. Contractor shall recommend continuous improvements on an on-going basis in relation to any Materials and Services offered under the Contract, with a view to reducing State costs and improving the quality and efficiency of the provision of Materials or Services. The State may require Contractor to engage in continuous improvements throughout the term of the Contract.
8. Other Contractors. The state may undertake on its own or award other contracts to the same or other suppliers for additional or related work. In such cases, the Contractor shall cooperate fully with State employees and such other suppliers and carefully coordinate, fit,

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connect, accommodate, adjust, or sequence its work to the related work by others. Where the Contract requires handing-off Contractor's work to others, Contractor shall cooperate as State instructs regarding the necessary transfer of its work product, Materials, Services, or records to State or the other suppliers. Contractor shall not commit or permit any act that interferes with the State's or other suppliers' performance of their work, provided that, State shall enforce the foregoing section equitably among all its suppliers so as not impose an unreasonable burden on any one of them.

9. Ownership of Intellectual Property.

- Rights in Work Product. All intellectual property originated or prepared by Contractor pursuant to the Contract, including but not limited to, inventions, discoveries, intellectual copyrights, trademarks, trade names, trade secrets, technical communications, records reports, computer programs and other documentation or improvements thereto, including Contractor's administrative communications and records relating to the Contract, are considered work product and Contractor's property, provided that, State has Government Purpose Rights to that work product as and when it was delivered to State.
- Government Purpose Rights.
  - the unlimited, perpetual, irrevocable, royalty free, non-exclusive, worldwide right to use, modify, reproduce, release, perform, display, sublicense, disclose and create derivatives from that work product without restriction for any activity in which State is a party;
  - the right to release or disclose that work product to third parties for any State government purpose; and
  - the right to authorize those to whom it rightfully releases or discloses that work product to use, modify, release, create derivative works from the work product for any State government purpose; such recipients being understood to include the federal government, the governments of other states, and various local governments.
  - Government Purpose Rights do not include any right to use, modify, reproduce, perform, release, display, create derivative works from or disclose that work product for any commercial purpose, or to authorize others to do so.
- Joint Developments. The Contractor and State may each use equally any ideas, concepts, know-how, or techniques developed jointly during the course of the Contract, and may do so at their respective discretion, without obligation of notice or accounting to the other party.
- Pre-existing Material. All pre-existing software and other Materials developed or otherwise obtained by or for Contractor or its affiliates independently of the Contract or

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applicable Purchase Orders are not part of the work product to which rights are granted State under subparagraph 9a above, and will remain the exclusive property of Contractor, provided that:

- any derivative works of such pre-existing Materials or elements thereof that are created pursuant to the Contract are part of that work product;
  - any elements of derivative work of such pre-existing Materials that was not created pursuant to the Contract are not part of that work product; and
  - except as expressly stated otherwise, nothing in the Contract is to be construed to interfere or diminish Contractor's or its affiliates' ownership of such pre-existing Materials.
- Development Outside of Contract. Unless expressly stated otherwise in the Contract, this Section does not preclude Contractor from developing competing Materials outside the Contract, irrespective of any similarity to Materials delivered or to be delivered to State hereunder.
10. Property of the State. If there are any materials that are not covered by Section 9 above created under this Contract, including but not limited to, reports and other deliverables, these materials 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.
11. 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 the 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.
12. 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.
13. Offshore Performance of Work involving Data is 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 Data shall be performed within the defined territories of the United States.

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14. Protection of State Cybersecurity Interests. The Contractor shall comply with State Executive Order No. 2023-10, which includes, but is not limited to, a prohibition against (a) downloading and installing of TikTok on all State-owned and State-leased information technology; and (b) accessing TikTok through State information technology.

15. Certification Required by State Law.

- If Contractor is a Company as defined in A.R.S. § 35-393, Contractor certifies that it is not currently engaged in a boycott of Israel as described in A.R.S. §§ 35-393 *et seq.* and will refrain from any such boycott for the duration of this Contract.
- Contractor further certifies that it shall comply with A.R.S. § 35-394, regarding use of the forced labor of ethnic Uyghurs, as applicable.

## **COSTS AND PAYMENTS**

1. Payments. Payments shall comply with the requirements of A.R.S. Titles 35 and 41, Net thirty (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.

2. Delivery. Unless stated otherwise in the Contract, per A.R.S. § 47-2319, all prices shall be F.O.B. (free on board) Destination and shall include all freight delivery and unloading at the destination.

3. Firm, Fixed Price. Unless stated otherwise in the Special Terms and Conditions of the Contract, all prices shall be firm-fixed-prices.

4. Applicable Taxes.

- Payment of Taxes. The Contractor shall be responsible for paying all applicable taxes.
- 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.
- Tax Indemnification. The 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

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transaction privilege taxes, unemployment compensation insurance, Social Security and Worker's Compensation.

- 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.
5. 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.
  6. Availability of Funds for the Current State Fiscal Year. Should the State Legislature enter back into session and reduce the appropriations for any reason and these goods or services are not funded, the State may take any of the following actions:
    - Accept a decrease in price offered by the contractor;
    - cancel the contract; and
    - cancel the contract and re-solicit the requirements.

## **CONTRACT CHANGES**

1. Amendments. This Contract is issued under the authority of the ASTO. 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 ASTO 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.
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 ASTO. 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.
3. Assignment and Delegation. Contractor acknowledges that Contractor's experience and expertise is a substantial consideration in the ASTO's review of the Offer. The Contractor shall not assign any right nor delegate any duty under this Contract without the prior written approval of the ASTO.

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## RISK AND LIABILITY

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 of nonconforming materials shall remain with the Contractor regardless of receipt.
2. Indemnification
  - Contractor/Vendor Indemnification (Not Public Agency). To the fullest extent permitted by law, Contractor shall defend, indemnify, 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 Subcontractor(s) is/ are an agency, board, commission or university of the State of Arizona.
  - 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.
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,



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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.

4. Force Majeure.

- a. 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.
- b. Force Majeure shall not include the following occurrences:
  - i. Late delivery of equipment or materials caused by congestion at a manufacturer's plant or elsewhere, or an oversold condition of the market;
  - ii. 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
  - iii. Inability of either the Contractor or any subcontractor to acquire or maintain any required insurance, bonds, licenses or permits.
- c. 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.
- d. 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.

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

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materials or services applied by third parties to the Contractor, toward fulfillment of this Contract.

## **WARRANTIES**

1. Liens. The Contractor warrants that the materials supplied under this Contract are free of liens and shall remain free of liens.
2. Quality. Unless otherwise modified elsewhere in these terms and conditions, the Contractor warrants that, for one (1) year after acceptance by the State of the materials, they shall be:
  - Of a quality to pass without objection in the trade under the Contract description;
  - Fit for the intended purposes for which the materials are used;
  - Within the variations permitted by the Contract and are of even kind, quantity, and quality within each unit and among all units;
  - Adequately contained, packaged and marked as the Contract may require; and
  - Conform to the written promises or affirmations of fact made by the Contractor.
3. Conformity to Requirements. Contractor warrants that, unless expressly provided otherwise elsewhere in the Contract, the Materials and Services will for one (1) year after acceptance and in each instance:
  - Conform to the requirements of the Contract, which by way of reminder include without limitation all descriptions, specifications, and drawings identified in the Scope of Work and any and all Contractor affirmations included as part of the Contract;
  - Be free from defects of material and workmanship;
  - Conform to or perform in a manner consistent with current industry standards; and
  - Be fit for the intended purpose or use described in the Contract.
  - Mere delivery or performance does not substitute for express acceptance by the State. Where inspection, testing, or other acceptance assessment of Materials or Services cannot be done until after installation or invoicing, the forgoing warranty will not begin until the State's explicit acceptance of the Materials or Services.
4. Inspection/Testing. The warranties are not affected by inspection or testing of or payment for the materials or services by the State.

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5. Contractor Personnel. Contractor warrants that its personnel will perform their duties under the Contract in a professional manner, applying the requisite skills and knowledge, consistent with industry standards, and in accordance with the requirements of the Contract. Contractor further warrants that its key personnel will maintain any and all certifications relevant to their work, and Contractor shall provide individual evidence of certification to State's authorized representatives upon request.
  6. Compliance with Applicable Laws. The Materials and Services supplied under this Contract shall comply with all applicable federal, state, and local laws and policies (including, but not limited to, information technology policies, standards, and procedures available on the State's website and/or the website of any department, commission, council, board, bureau, committee, institution, agency, government corporation or other establishment or official of the executive branch or corporation commission of the State of Arizona). Federal requirements may be incorporated into this Contract, if required, pursuant to A.R.S. § 41-2637. Contractor shall maintain any and all applicable license and permit requirements. This requirement includes, but is not limited to, any and all Arizona state statutes that impact state contracts, regardless of whether those statutory references have been removed during the course of contract negotiations; this is notice to Contractors that the State does not have the authority to modify Arizona state law by contract.
  7. Intellectual Property. Contractor warrants that the Materials and Services do not and will not infringe or violate any patent, trademark, copyright, trade secret, or other intellectual property rights or laws, except only to the extent the Specifications do not permit use of any other product and Contractor is not and cannot reasonably be expected to be aware of the infringement or violation.
  8. Licenses and Permits. Contractor warrants that it will maintain all licenses required to fully perform its duties under the Contract and all required permits valid and in force.
  9. Operational Continuity. Contractor warrants that it will perform without relief notwithstanding being sold or acquired; no such event will operate to mitigate or alter any of Contractor's duties hereunder absent a consented delegation (under the Assignment and Delegation paragraph) that expressly recognizes the event.
  10. Performance in Public Health Emergency. The Contractor warrants that it will:
    - a. Have in effect, promptly after commencement, a plan for continuing performance in the event of a declared public health emergency that addresses, at a minimum:
      - Identification of response personnel by name;
      - Key succession and performance responses in the event of sudden and significant decrease in workforce; and

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- Alternative avenues to keep sufficient product on hand or in the supply chain.
  - b. Provide a copy of its current plan to State within three (3) business days after State’s written request. If Contractor claims relief under Force Majeure paragraph for an occurrence of force majeure that is a declared public health emergency, then that relief will be conditioned on Contractor having first implemented its plan and exhausted all reasonable opportunity for that plan implementation to overcome the effects of that occurrence or mitigate those effects to the extent that overcoming entirely is not practicable.
  - c. A request from the State related to this paragraph does not necessarily indicate that there has been an occurrence of force majeure, and the Contractor will not be entitled to any additional compensation or extension of time by virtue of having to implement a plan.
  - d. Failure to have or implement an appropriate plan will be a material breach of contract.

11. Lobbying.

- a. Prohibition. Contractor warrants that it will not engage in lobbying activities, as defined in 40 Code of Federal Regulations (CFR) part 34 and A.R.S. § 41-1231, *et seq.*, using monies awarded under the Contract, provided that, the foregoing does not intend to constrain Contractor's use of its own monies or property, including without limitation any net proceeds duly realized under the Contract or any value thereafter derived from those proceeds; and upon award of the Contract, it will disclose all lobbying activities to State to the extent they are an actual or potential conflict of interest or where such activities could create an appearance of impropriety. The contractor shall implement and maintain adequate controls to assure compliance with the above. The contractor shall obtain an equivalent warranty from all Subcontractors and shall include an equivalent no-lobbying provision in all Subcontracts.
- b. Exception. This paragraph does not apply to the extent that the Services are defined in the Contract as being lobbying for State’s benefit or on State’s behalf.

12. Covered Telecommunications or Services. Contractor warrants that the Materials and Services rendered under this Agreement will not require Contractor to use for the State, or provide to the State to use, "covered telecommunications equipment or Services" as a substantial or essential component of any system, or as critical technology as part of any system, within the meaning of Federal Acquisition Regulation (“FAR”) Section 52.204-25.

13. Debarment, Suspension, U.S. Government Restricted Party Lists. Contractor warrants that it is not, and its Subcontractors are not, on the U.S. government’s Denied Parties List, the Unverified List, the Entities List, the Specially Designated Nationals and Blocked Parties List, and neither the Contractor nor any Subcontractors are presently debarred, suspended,

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proposed for debarment or otherwise declared ineligible for award of federal contracts or participation in federal assistance programs or activities.

14. False Statements. Contractor represents and warrants that all statements and information Contractor prepared and submitted in response to the Solicitation or as part of the Contract documents are current, complete, true, and accurate. If the Procurement Officer determines that Contractor submitted an Offer or Bid with a false statement or makes material misrepresentations during the performance of the Contract, the Procurement Officer may determine that Contractor has materially breached the Contract and may void the submitted Offer or Bid and any resulting Contract.

15. Survival of Rights and Obligations after Contract Expiration or Termination.

- a. Survival of Warranty. All representations and warranties made by the Contractor under the Contract will survive the expiration or earlier termination of the Contract.
- b. Contractor's Representations and Warranties. All representations and warranties made by the Contractor under this Contract shall survive the expiration or termination hereof. In addition, the parties hereto acknowledge that pursuant to A.R.S. § 12-510, except as provided in A.R.S. § 12- 529, the State is not subject to or barred by any limitations of actions prescribed in A.R.S., Title 12, Chapter 5.
- c. Purchase Orders. The Contractor shall, in accordance with all terms and conditions of the Contract, fully perform and shall be obligated to comply with all purchase orders received by the Contractor prior to the expiration or termination hereof, unless otherwise directed in writing by the Procurement Officer, including, without limitation, all purchase orders received prior to but not fully performed and satisfied at the expiration or termination of this Contract.

## **STATE'S CONTRACTUAL REMEDIES**

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 ASTO 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.
2. Stop Work Order.

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- 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.
  - 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 ASTO shall make an equitable adjustment in the delivery schedule or Contract price, or both, and the Contract shall be amended in writing accordingly.
3. Non-exclusive Remedies. The rights and the remedies of the State under this Contract are not exclusive.
  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.
  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.

## **CONTRACT TERMINATION**

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.
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

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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.

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.
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.R.S. § 41-2543 and A.A.C. Title 2, Chapter 7, Article 7, shall apply.
5. Termination for Default.
  - 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 ASTO shall provide written notice of the termination and the reasons for it to the Contractor.
  - 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.
  - 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.

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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.

### **CONTRACT CLAIMS**

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

### **ARBITRATION**

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



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## SECTION 8

### EXHIBITS AND ATTACHMENTS

#### EXHIBIT A: PRICING

1. Every provider has a different fee structure. To help us evaluate your response please provide a comprehensive, bundled fee proposal for all services as well as line-item pricing for each service within the scope of work. Please refer to the fund account structure when calculating your fee proposals.
  
2. In addition, if your bid is for specific service(s) please quote unbundled fees for each of the service(s) referenced, and fees for any service item or packages that may be appropriate including any add-on or premium features that maybe related to the services your firm is bidding on but is not specifically mentioned in the scope of work:
  - Separate account portfolios (domestic equity, fixed income)
  - Line-item accounts
  - Third Party Mutual Fund Transactions
  - Minimum Annual Fee (if applicable)
  - Analytic and performance calculation reports and services
  - Monthly Income Distributions
  - Wires, ACH
  - Assets under custody
  - Transactions/settlements for domestic, foreign (DTC, FED, Physicals, Mortgage Pay downs, etc.)
  - On-line data access
  - Expense ratio for short-term investment vehicle
  - All other services and fees (please provide specific details of each).

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## **EXHIBIT B: SCOPE OF WORK**

The vendor services required by ASTO are discussed below. The respondent must be able to provide and comply with ASTO's defined standards for the service(s) listed below per the requirements defined in this Scope of Work. These requirements are subject to change by ASTO. ASTO reserves the right to award individual service contracts to different vendors for each scope listed below. Reference to Institution below is winning vendor for that portion of scope of work.

### **General Requirements**

1. Master custody services shall include, but not be limited to, custodial services, trade settlement, corporate actions, class action and litigation support.
2. Institution, at the direction and authorization of the ASTO, will provide for transfer of securities and cash from the Institution currently holding the securities prior to July 1, 2024 but no later than January 1, 2025. 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 ASTO. At the conclusion of this contract, any transfers will likewise be at no cost to ASTO.
3. The institution will designate a relationship manager serving as the main point of contact responsible for all inquiries, requests and will work to resolve any issues that arise for the ASTO.
4. Institution shall accept possession of and be responsible for the safekeeping of such securities and cash as are delivered to the Institution including electronic delivery via straight through processing systems used by ASTO.
5. ASTO will be entitled to cause delivery or withdrawal from the Institution's possession, during the Institution's normal business hours, any such securities or cash held by the Institution.
6. Securities will be deposited with the Institution or withdrawn from the Institution's possession.
7. 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 ASTO

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shall be provided with statements and reports of all transactions as required – including all corporate actions.

8. Institution shall provide via modem or secure Internet access to the ASTO, State Agency or Department and Depositor a PC-based data retrieval system that will enable the Treasurer 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 and daily transaction reports. The Institution will allow ASTO to download data via modem or Internet.
9. Audits to determine the physical presence of securities deposited with the Institution will be made by the Auditor General pursuant to law and as desired by the ASTO, who (or who's authorized representative) will be entitled to verify the securities in the Institution's possession at reasonable intervals. All information furnished with respect to audits or confirmations to any department or agency of the State of Arizona other than the ASTO will be the responsibility of the Institution.
10. Vendor (s) shall adapt to any new asset classes or investment vehicles the Treasurer may invest in as well as interface with any external investment managers selected by the Treasurer.
11. The bid price shall be submitted using the attached Pricing Schedule (Exhibit A).
12. Must provide client support so telephone calls are responded to within sixty (60) minutes, trading issues – including wires - are corrected within twenty (20) minutes, and accounting errors are fixed within 24 hours.
13. Institution shall notify the ASTO prior to any changes in software or third-party vendor relationships that may impact performance analytics or trade execution information relating to either fixed income or equity securities.

### **Performance Measurement and Analytics**

1. Platform must be capable of providing a detailed attribution analysis for ASTO's portfolios.
2. Must provide monthly and daily performance reports and electronic files detailing the market values, cash flows, average balances and returns of each portfolio. These reports must include both internal and external investment pools, as well as any considerations deemed necessary by ASTO to the parties determined by ASTO.

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3. Must provide an updated listing of all ASTO accounts/composites and their assigned benchmarks in a centralized location and update monthly, as necessary.
  4. Must provide benchmark comparisons for all investment pools.
  5. Investment analytics for ASTO's short term fixed income investment pools must provide monthly performance reporting using money market mutual fund return calculations.
    - Must provide Weighted Average Maturity (WAM) calculations monthly for all short- and medium-term fixed income pools.
    - Performance reports for short-term fixed income are calculated based on trade date.
  6. Investment analytics for ASTO's Endowment pools consisting of equities securities and fixed income securities must provide monthly performance reporting using Total Return calculation.
    - Performance reports for equities securities are calculated based on trade date.
  7. Must provide ASTO with on-line viewing and secure downloading from a single, browser-based tool into spreadsheet format with access to the following information:
    - Current and historical investment performance
    - Current and historical universe returns data
    - Current and historical prices and exchange rates
    - Composite portfolios
    - Current and historical transactions
    - Current and historical holdings in any aggregate. Individual and aggregate performance, attribution, analytics and benchmark comparisons at the fund group level, aggregate portfolio level, sector level, and individual security level. Performance and analytic databases
    - General ledger account activity and specific income cash inflows and balances
    - Investment transactions (principal payments, dividends, interest, amortization) and reports identified by security type which will distinguish, for example, government securities from corporate securities from mortgage backed.
  8. Must provide index comparison reports by sector, industry, and security, updated for daily price and index changes.

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## Accounting

1. Provide daily full accrual accounting of all the ASTO's investments and securities on a portfolio/pool basis.
2. Provide daily accounting for all investments and asset classes contained in all portfolios.
3. Must be able to separate out interest income received, and interest income accrued for all securities individually and collectively for the pools on a daily and monthly basis.
4. Comprehensive daily pricing system of all securities.
5. Automatic posting capability for scheduled events.
6. Daily update of book values for accretion and amortization by the appropriate accounting method.
7. Investment reporting at cost and market values with appropriate amortization for fixed income securities in accordance with generally accepted accounting principles.
8. Provide examples/descriptions of customized report creation capabilities.
9. Standard period reporting.
10. Provide all reporting for Governmental Accounting Standards Board (GASB) 40 disclosure requirements at fiscal year-end.
11. Technical assistance for GASB, Financial Accounting Standards Board (FASB) update implementation.
12. Interface with ASTO's internal general ledger via data export or direct interface. Must be able to provide aggregate data from investments in the following manner to input into the state's chart of accounts:
  - Government and Agency Securities; Repurchase Agreements; Commercial Paper, Negotiable CD's; Corporate Notes and Bonds; Municipal Securities; Money Market Funds; Unamortized Premium outstanding; Unamortized discounts outstanding; Accrued Interest Receivable.

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13. Interface with straight-through trade feed/processing system.
  14. Ability to calculate earnings, yield, daily Net Asset Value (fixed and floating), and total return daily.
  15. Account for securities lending activities daily if and when the Treasurer's office chooses to lend its securities.
  16. Support mutual fund, commingled fund, and unitized fund accounting depending on the characteristics of the ASTO's investment pool.
  17. Ability to add new asset classes and/or investment instruments.
  18. Reconciliations: Must provide an accounting system with on-line access to the ASTO, the ASTO's investment managers, consultants, and auditors, and permit the secure downloading of data into a PC-based spreadsheet and/or database application.
  19. Must provide all expense paid training to ASTO both initially and as needed post-implementation. Must provide a roadmap of training offered during implementation (i.e. Content Covered and Frequency) as well as post-implementation (i.e. Courses offered and Frequency). If post-implementation courses are an "add-on" service, please specify as such.
  20. Must provide an accounting administrator to be available by telephone/email between 8 a.m. and 5 p.m. Arizona Time within sixty (60) minutes of submission of issue or request.

### **Claims/Settlements**

1. Maintain on-line security clearing at the Depository Trust Company (DTC) and other security clearing operations for both book entry and physical settlements.
2. Affirm security transactions and validate holdings and income related to all trading activity.
3. Enable the ASTO to affirm all trades and provide a means to settle non- DTC-eligible trades.
4. Provide ASTO with a real-time system to settle daily trade activity.
5. Provide fail float protection, including interest on purchase fail float and contractual settlement date postings of sales.

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6. Provide trade data to consultants and investment managers as requested by ASTO.
  7. Provide settlement on a delivery versus payment basis.
  8. Provide the ASTO with the benefit of all floats on all transactions, including failed transactions, by the zero balancing of Demand Deposit Accounts (DDA), into the custodial bank's short-term investment fund overnight.
  9. Provide all wires to settle on the same day by 5 p.m. Eastern Standard Time.

### **Cash Management**

1. Maintain daily sweep activity for the purpose of transferring uncommitted funds between individual external manager custody accounts and the ASTO's internal custody account to the ASTO's cash management account.
2. Provide an overnight investment vehicle that matches the investment mandate for each internal investment fund to zero balance the ASTO's DDA's daily reports.
3. Credit the ASTO with the benefit of all floats on all transactions, including failed trades.
4. Collateralize at 102% all ASTO's cash on deposit with the Custodial Bank that has not been swept into an overnight sweep account.

### **Corporate Action, Proxy, Class Action and Litigation Support**

1. Provide proxies and proxy statements to the appropriate investment manager before annual and special meetings for corporations whose securities are held by ASTO.
2. Provide notification of pending corporate actions and applicable legislative actions.
3. Provide the appropriate investment manager with notification of corporate actions regarding subscriptions, conversion privileges, issuance of rights, mergers, reorganizations, and other actions requiring a decision by the ASTO.
4. Provide a client-accessible system for monitoring class action litigation and bankruptcy proceedings affecting portfolio of securities held by ASTO.

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5. Provide a system of filing claim notices and other documents in connection with such proceedings.
  6. Provide a system to track the history of portfolio securities held during any periods that are the subject of such proceedings.
  7. Provide a system to advise the ASTO and appropriate investment managers of significant dates and deadlines in respect of such proceedings, including but not limited to opt-out elections in class action litigation, deadlines for filing claims, deadlines for filing bankruptcy notice or claims.

### **Transfer Agency**

1. Provide online banking capability for local government investment pool (LGIP) participants including the creation of LGIP participants' statements of account with calculation of earnings/gains and losses (realized & unrealized)/yield and tracking of invested balances.
2. Customized report writing capabilities.
3. Provide monthly statements within five (5) calendar days after the month end for participants. Statements must be able to be delivered by email and regular mail based on participants' preference.
4. Provide participants with a secure web-based portal to make transactions as well as view only access for participants.
5. Provide ability to have funds wire to and from ASTO and custodial bank and preferably provide ability for LGIP participants to send and receive wires directly from custodial bank for daily transactions.
6. Provide daily "deposit/withdrawal" transaction reports by fund/pool and daily account balance reports by fund/pool.
7. Provide report with balances, addresses, contacts, etc. by pool/fund as requested.
8. Provide Average Balances for a specified period, as requested for all accounts.
9. Provide interface with internal general ledger via data export for deposit/withdrawal transactions from the online banking system and for the posting of monthly interest.



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10. Reconcile earnings between accounting and transfer agency by fund/pool before monthly statements are processed.
  11. Provide dedicated liaison and team between the hours of 7 a.m. and 5 p.m. Arizona time to interface with LGIP participants to resolve any participant issues, including opening accounts, facilitating deposits and redemptions and correcting statement errors.
  12. Provide a minimum of five (5) years and up to seven (7) years of storage capacity of statements, including prior years for participants.

### **Portfolio Management**

1. Provide operational and investment management support to the ASTO's internal investment management including but not limited to:
  - Portfolio management support information and analytics
  - Portfolio characteristic reports
  - Index comparison reports
  - Cash flow forecasting capacity
2. Provide online access to the following reports:
  - Purchase and sales pending
  - Portfolio holdings on trade date basis detailing quantity, historic and book values
  - Interest and dividends receivable
  - Interest and dividends earned during designated periods
  - Purchase and sell transactions
  - Amortization and accretion of fixed income securities
  - Cash flow projections for at least thirty (30) days
  - Corporate actions
  - Performance measures.
3. Establish controls to prevent unauthorized transactions or unauthorized investment managers from updating files on securities.
4. Provide ongoing compliance monitoring in accordance with ASTO's investment policy guidelines.

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## **Portfolio Screening**

Assist the ASTO in screening its aggregate portfolio at least annually for firms that are in violation of U. S. Policy in doing business with countries listed by the U. S. Department as terrorist-sponsoring states. This also shall apply to firms that participate in the BDS movement of the State of Israel. Such screening shall be summarized in a format that includes the following information:

- Company name
- Value of the investment held by the ASTO
- Country of exposure and the extent of tie to the country
- Main business activity of the company; and
- Assessment of the potential impact on the ASTO's portfolio.

## **Reports**

The contractor shall establish and maintain the systems necessary to allow the ASTO to download electronic data from their database into PC- based spreadsheets and / or database applications for further processing, printing, and for making entries into other automated systems used by the ASTO. The contractor shall also establish and maintain a system to allow the ASTO to prepare consolidation reports of asset categories, as necessary, and electronically download these reports for further processing. The reports listed below shall be available on-line, in screen printable form and on hard copy by request. This list is not all inclusive.

### **Daily Reports**

1. Completed transactions, consisting of security purchases and settlement costs, sales, and income. These reports shall reflect the payment timing as either Same Day or Next Day funds.
2. Pending income and security purchases/ sales reports denoting the payment timing as either same day or next day funds.
3. Failed trade reports indicating the reason for and the compensation on the trade failure.
4. Reports reflecting the Fund's daily investment purchase and principal/income collection.

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5. Daily yield summary of all investment pools depicting outstanding shares, total net assets, NAV per share, net income, management fees charged, distribution rate, daily annualized yield, and month to date effective yield.
  6. Daily interest received, interest purchased, and interest accrued by security in each investment pool.
  7. Pricing reports, bond ratings reports, pending income reports, collateral reports, and maturity schedules.
  8. If ASTO institutes security lending, securities lending collateral reports, identifying daily collateral required and pledged for all holdings.
  9. If ASTO institutes security lending, investments for cash collateral from securities lending detailing along with weighted average maturity, credit quality, and issuer concentration.
  10. If ASTO institutes security lending. daily securities lending activity by investment pool/fund, gross earnings by pool/fund, rebates by pool/fund, fee charged by pool/fund, net income earned by pool/fund, and outstanding loans, including amounts by borrower.
  11. Daily Market Value report by investment pool/fund and in aggregate for all fixed income securities that includes security description, daily pricing, amortized price, original cost, amortized cost value, accrued income, trade date, settlement date, maturity, effective maturity, duration, effective duration, amortized target date, convexity, weighted average life ("WAL"), credit ratings, percentage that security is of the pool, security CUSIP, unrealized gains/losses, quantity, fair value, and market value plus accrued interest less liabilities.
  12. Electronic file upload of security purchases, sales, maturities, interest and any other cash events by pool/fund.
  13. Management fees charged by pool/fund and any other fees charged per ASTO policies.
  14. Transfer Agency summary of deposit/withdrawal transactions by pool/fund.
  15. Collateral reports for all cash held; and
  16. Analytics provided by a recognized vendor with access to that platform for end users. These include but are not limited to:

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- Option Adjusted Duration and Convexity measures
  - Yield and credit curve perturbation methods
  - Dynamic scenario analysis across asset types.

### **Monthly and Quarterly Reports**

1. The following reports shall be available online no later than five (5) business days after month-end and on hard copy no later than seven (7) business days after month-end for both individual investment managers and in the aggregate.
2. A monthly Board of Investment Report that details: Total earnings distributed by investment pool, comparisons with prior year and management fees collected and YTD distributions.
3. Portfolio fact sheets that list earnings for the month, NAV, Yield, Total Return, Benchmark Yield, Weighted Average Maturity for \$1 NAV pools, Weighted Average Life for all others, Effective Duration, Credit quality, distribution of duration, asset types, and credit quality and top ten (10) holdings of each fund. Each portfolio fact sheet should also include a graphical display of yield over time and fund balances.
4. Reports detailing market performance, portfolio performance, and any aggregate deemed necessary by the ASTO. These reports shall include current and historical data. Preliminary performance data must be available within three (3) business days after the end of month, and final performance data must be available within five (5) business days after the end of the month. Total Fund Quarterly Attribution must be available within five (5) business days after final performance data is available.
5. The ability for ASTO personnel to revise reports as required.
6. Fixed income analytic and performance attribution reports.
7. Tracking of brokerage commissions paid by individuals and groups of managers to specific brokers, including tracking specific service classes by a manager and groups and the commission per dollar of cost and per share by broker.
8. Capability to report client information in a manner consistent with the ASTO General Ledger Account breakdown.

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9. Custom design reports for Investment Accounting.
  10. Report of shares, cost, market, and unrealized gain for each of the participants in the PLETF and AETF endowment funds comingled as directed.
  11. Transfer Agency summary of account balances by pool/fund including account number, name of account, address, and when account was established.
  12. Electronic file upload by Transfer Agency account into internal general ledger.
  13. Trial balance for each pool/fund.
  14. Detailed breakdown of all interest received and accrued by security and investment pool.

### **End of Fiscal Year Reports**

1. Provide a report of all holdings by pool/fund, security description, security category/type, security ID, par, market price, market value, amortized book value, unrealized gain or loss, accrued interest receivable, dividends receivable, securities purchase and sales receivable, liabilities such as management fees, and other pertinent investment data to be used in the compilation of GASB reporting requirements, in a format to be agreed upon, no later than thirty (30) days after the end of the fiscal year. Please see annual financial statement for how report data needs to be able to be presented here:  
[https://www.aztreasury.gov/files/ugd/8bb536\\_94c9b948c8ba49aa9349b1d55a1fd548.pdf](https://www.aztreasury.gov/files/ugd/8bb536_94c9b948c8ba49aa9349b1d55a1fd548.pdf)
2. Provide a fiscal year report for all deposits, withdrawals, and interest for all transfer agency accounts by pool/fund.
3. Can custom-design reports for the board and auditors.
4. Provide any other reports as needed for financial statement purposes or other purposes including SAE Service Organizational Control (SOC) reports.

### **Incident Reporting, Problem Management, and Service Response**

Please provide how the vendor responds to incidents, problems, and emergency requests reported by ASTO to include, but not limited to:

- Priority levels;

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- Response times, and;
  - Escalation process.

### **Transition and Conversion**

1. Names and resumes of staff who will be assigned by the Custodial Bank to the transition/conversion.
2. A calendar of events to meet the proposed July 1, 2024 or January 1, 2025, contract start date.
3. A schedule of planning and training that the contractor will offer to both the ASTO staff and the ASTO's current custodial and depository banks.
4. References for a description of the contractor's most recent conversion of similar magnitude for this scope of work and details of problem resolution during the conversion.
5. An estimate of all ASTO's resources required for the conversion process.
6. The plan to provide participant statement processing.
7. The plan for parallel testing of investment accounting, transfer agency and performance reporting prior to determined start date.
8. The dates by which transaction histories will be developed, test procedures established, and accruals established.
9. The custodian will reconcile custody positions to prior custodian's records, research all reconciling items and correct all position discrepancies.
10. The facility, prior to complete transfer of relationship, to run in parallel with the existing platform and the requisite staff expertise to assess and explain differences.

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## EXHIBIT C: QUESTIONNAIRE

### Client Servicing Capabilities

1. Will you have a primary contact to whom all inquiries are directed? What coverage is provided if those responsible for an account are unavailable? What is the average lead time for a response to a client?
2. Briefly describe the organizational structure of your firm, including an organizational chart and the total number of employees in each area under the scope of services bidding on.
3. Describe the roles and number of people who would be assigned to this account and their total years in the industry, with your organization and in custody if different from years with your organization. Where would they be located? To how many client accounts would this team be assigned?
4. Describe quality control programs you have for the services contemplated in this RFP.
5. How often will the client service officer be available to meet with the client at the client's office or virtually? Is in person availability only during the implementation process or throughout the contract? What systems are used for virtual meetings and how often can they be utilized?
6. Will specific members of your staff be assigned to this account? If so, please provide their names, educational and experience backgrounds.
7. Do you have a disaster recovery program in place? If so, describe it in detail.
8. Describe the time requirement and termination charges (if any) required by your firm if your services are terminated.

### Systems and Data Processing

1. Discuss the hardware and software systems that support the services to be provided in scope of work.
2. How long has the current software been in place? When was the most recent major change/enhancement to the systems that support your capabilities?

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3. Was the software developed in-house? Do you have a data-processing staff in-house? How many people support your system? If the software is provided by a third-party, please provide that information.
  4. Could Bloomberg AIM be supported for the transmittal and retrieval of data, specifically security trades?
  5. Describe the data-processing cycle for creating daily, monthly, quarterly and annual reports.
  6. What system security measures do you have in place?
  7. Do you have a physically separate back-up facility? If yes, what is the location? Do you have your auditors prepare SSAE SOC reports? If so, please submit a copy of your most recent report.

#### **On-Line Services**

1. Do you offer an on-line reporting service for clients and investment managers? If yes, how current is the information? What are the system support availability hours?
2. In what formats is data available? With which commercial software programs is your data compatible?
3. What is your e-mail/internet capability with respect to client data retrieval? How much direct access does the client have?
4. What e-mail/internet security measures do you have in place?
5. Can non-standard reports be created by users with your on-line software? Does your system have a user-friendly report writer?
6. What client training do you provide for utilizing your on-line system?

#### **Recordkeeping – Accounting and Reporting**

1. Provide a complete description of your accounting system.



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2. What basis do you use (trade date or settlement date, accrual, or cash)?
  3. Are you electronically linked with custodial banks for same-day settlement?
  4. What custodial banks does your system have experience in integrating with?
  5. What basis of accounting do you use for your general ledger, cash or accrual?
  6. Are transactions recorded in real time or batch processing? If batch processing, what is the timing of processing?
  7. Do asset valuations include accrued income and dividends, as well as all pending transactions?
  8. How do you report interest and dividend income? Do you separate interest received from interest accrued from securities? If so, is a report available to show the difference?
  9. Can you capture and report brokerage commissions generated by a money manager?
  10. Are you able to provide trade execution analysis and reports?
  11. How long is your on-line data retention period?
  12. What steps are taken to ensure the accuracy of your reports? What data reconciliations are performed? Are final monthly reports audited before they are made available to clients? If so, by whom?
  13. Please provide a sample set of standard daily and monthly reports. Include a list of all available report formats. How soon after the close of a month are complete sets of fully audited portfolio accounting reports delivered to the client in hard copy format? When are these reports available on-line?
  14. Describe the daily, weekly, monthly, quarterly, and annual reporting timetables to which your organization would commit.
  15. Do you provide book and market value reconciliations? How often?
  16. Describe your reconciliation process to verify monthly pool earnings against earnings posted to Transfer Agency accounts within the pool.

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17. What procedures are used to verify the accuracy and completeness of dividend and income receipts?
  18. Where is your accounting group located physically?
  19. How quickly can a new investment pool be added to the accounting structure?
  20. Does your platform provide full integration with Bloomberg AIM? Describe your facility transfer holdings from your platform to AIM. What reconciling differences, if any, exist? Be prepared to demonstrate this facility with an existing Arizona Treasury portfolio.
  21. Provide a detailed listing of accretion / amortization methodologies (FAS115) and the security types supported by those methods.
  22. Provide a detailed listing of fixed income instruments supported by your accounting platform. Note: "Structured Notes" and "Mortgage Securities" are broad categories. Include a complete listing of those items supported and those that are not supported.
  23. If an investment gets reclassified from one asset class to another, how does your system properly account for principal, premium/discount and interest allocated?
  24. How are payoffs, paydowns and pay ups recorded?
  25. What pricing feeds do you use to value securities?

### **Corporate Actions and Proxy Voting**

1. What services do you utilize for corporate actions?
2. Are you responsible for initiating corporate action claims on behalf of clients?
3. Do you have a centralized corporate action area? What procedures and control points are used to monitor outstanding corporate actions?
4. Who is responsible for communicating corporate action information to the client? Is there a process in place to provide feedback on settlements or outstanding claims?
5. Describe your proxy voting services.

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6. Please provide a sample semi-annual report that identifies corporate actions filed and settlements received.

### **Transfer Agency**

1. Provide a complete description of your transfer agency system.
2. Do you provide a web-based portal for clients to make transactions? Describe the security controls. Is there a 'View Only' capability for users of the web-based portal?
3. Describe the process of entitling new users to the web-based system. What role in this process, if any, would the Treasurer's Office have?
4. What reports do you typically provide? When are these reports made available? Please provide examples of daily "deposit/withdrawal" transaction reports and daily account balance reports.
5. How soon after the end of the month are participant statements made available? How are they distributed?
6. What options do clients have to view/receive their statements?
7. What is the length of time that statements can be stored in the system?
8. Can prior statements be loaded into the system?
9. How long does it take to open a new account? Can the transfer agent and client communicate directly for a new account opening?
10. What information can be displayed on statements?
11. Can average balances for a specified period be provided?
12. Can client accounts be rolled up into a control group with the same reporting capabilities as an individual account?
13. Provide examples of daily deposit/withdrawal transaction reports and daily account balance reports.

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## **Asset Safekeeping**

1. Describe your system for registration and custody of assets, including depositories used.
2. How and where are physical settlements transacted?
3. How do you track accuracy in your custody and clearing area?
4. Please provide the following information concerning pricing:
  - What is the source of your pricing data for equity and fixed income securities? Include pricing sources for foreign assets and currencies.
  - What procedures do you have in effect, if any, to identify and investigate unusual or significant pricing changes?
5. How do you handle information on corporate activities (i.e., tender offers, exchange offers, splits, etc.)?
6. Describe how you monitor and distribute proxy information.
7. Briefly describe your global custody capabilities, highlighting those items which set you apart from your competition.
8. What selection criteria do you use to select your global sub-custodians?
9. Outside of the United States, do you use any central depository facilities? Are they used for international clearing?
10. How are trade settlements communicated?
11. Is there a real-time trade settlement report system?
12. Describe your ability to handle foreign exchange transactions.
13. How do you handle tax reclaim processing?

## **Audit Controls and Procedures**

1. Is there an audit system in place? Is it certified by an outside public accounting firm?

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2. Discuss the scope of your most recent audit.
  3. What levels of management review results from audit reports, and who is required to implement changes to correct audit deficiencies noted?
  4. How much fiduciary insurance do you carry? Describe all insurance that would cover a client's assets.
  5. Do you have errors and omissions and/or other insurance coverage for the protection of your clients? If so, please describe (including any limitations on liability). Please attach a copy of the certificate of insurance.

### **Transition Plan**

1. Describe a proposed custodian transition process and timetable.
2. Describe the factors that could change the proposed transition process and timetable.
3. What specific technical and human resources would you provide during the conversion?

### **Class Action Filing Services**

1. Describe your capabilities with respect to assisting clients in filing claims on behalf of the class actions.
2. Please explain how fees are charged with regards to filing claims on the client's behalf as well as an estimated fee range.

### **Cash Management**

1. What short-term investment vehicles – including end of day sweep vehicles – do you offer? What are the respective fees? Do you offer an earned credit for cash on hand?
2. Describe, in detail, your buy/sell fail procedures. Are dollar amounts “netted” together?
3. If your client is in a net buy fail position, how are the related cash monies handled?

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4. How are overdrafts handled? What are the charges, if any, for an overdrawn position?
  5. Did any of your organization's short-term investment vehicles "break the buck" during the Global Financial Crisis or experience an impairment to daily liquidity in the past 10 years? If so, what was your firm's response to clients who may have suffered losses (realized or unrealized) and were any capital support programs offered by your organizations?

### **Performance Measurement and Analytical Services**

1. Describe the performance evaluation services you presently offer, including attribution analysis reports. What analytic platform supports this process? Do clients have access to this platform to further analyze their holdings?
2. Describe the internal infrastructure used to provide these services (i.e., organizational hierarchy, resources, etc.).
3. Describe the methodology used to calculate performance measurement.
4. Can you compare managers' rates of return to a substantial universe of similar portfolios?
5. Is your platform capable of providing a detailed attribution analysis? Be prepared to provide this analysis for a selected Arizona Treasury Portfolio.
6. Provide a detailed listing of fixed income instruments supported by your analytic platform. Note: "Structured Notes" and "Mortgage Securities" are broad categories. Include a complete listing of those items supported and those that are not supported.
7. Do you adjust market values used in performance calculations for accruals?
8. What are the sources of your performance measurement and manager analytic information?
9. List all market indices available.
10. How often and how soon after month-end are performance measurement reports available?

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11. Do you provide broker trade analysis? Can you provide information identifying commission and implicit execution costs by broker, and by portfolio? Please describe your capability in this area in detail.
  12. Provide a sample of the performance measurement information that you normally send to your clients.
  13. Can you backload prior years' monthly performance data? If yes, please describe and give the number of years of data that can be backloaded.
  14. Describe your procedures for auditing rates of return calculated.
  15. What is your procedure for calculating performance for periods that contain large cash flows? (>10% of market value).
  16. Can you provide detailed attribution analysis on both sector and individual security basis versus benchmark indices? Describe capabilities and include sample reports for equity and fixed income portfolios.
  17. Do you have any other significant performance measurement or analytic services not addressed in the above questions?
  18. What pricing feeds do you use to value securities? How frequently are reports which are available within your system updated? i.e., real time, hourly, daily?
  19. Are there capabilities for ad hoc reports to be created within the system?

### **Investment Manager Reconciliation Process**

1. Does your organization have a separate investment manager liaison group that handles the reconciliation process? If so, please describe the structure of the group and how it communicates with the accounting group. If not, please describe how investment manager relationships are handled.
2. Please describe the role your organization plays in the investment manager reconciliation process.
3. Do you currently have accounting and reporting relationships with US BANCORP Asset Management?

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4. What information delivery system do you offer investment managers? How is this system different from the information delivery system used by clients? If this is a different system, why? Are managers offered the capability to view their accounts on a real-time basis? Is sufficient data available so managers can reconcile daily?
  5. How do investment managers communicate trade instructions to your organization for settlement? What are the instruction deadlines?
  6. Does your organization monitor tolerance levels for pricing discrepancies with investment managers? How are pricing challenges resolved?
  7. Please comment on procedures when follow-up is required because of discrepancies identified during the reconciliation process.
  8. Describe your pricing procedures, (i.e., use of pricing vendors, dialogue between your organization and pricing vendors) including your pricing capabilities of derivatives, including swaps (total return, credit default, etc.).
  9. What tools are offered to help the ASTO investment accounting team reconcile to the GL?

### **Compliance Reporting**

1. Does your organization have guidelines and compliance-monitoring systems?
2. Describe the different compliance monitoring services provided to clients?
3. How long has your organization offered these tools to clients?
4. How many clients utilize this service?
5. Is this automated? What reports are generated for exceptions to the rules set up by the client?
6. Who in your organization is responsible for monitoring compliance and how does that individual and/or group communicate compliance-related information to your clients?



- 
7. Do you currently provide a compliance monitoring service in which you take responsibility for notifying the client when violations occur? If yes, how many clients do you provide this service to and describe any additional fees that might be associated with this service.

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## EXHIBIT D: EXPERIENCE OF COMPANY

### Corporate Overview and Background Summary

1. Provide a brief history of your organization.
2. Please describe any organizational changes (mergers, acquisitions, alliances) of the past two (2) years that have affected your operations. Specifically, what adjustments have or are occurring because of these organizational changes?
3. If rated, please list your current credit rating by Moody's or S&P. In addition, please list the percentage of Tier 1 capital and leverage ratio if you are a custody bank.
4. What percentage of total corporate earnings did the services contemplated in your response contribute to your organization each year over the last five (5) years?
5. Please indicate your organization's quantity of relationships (total number of clients) and assets (market value) in each of the scope of service areas. Of these combined assets, what proportion and asset base are represented by Mutual Funds between \$200 million and \$3 billion and Endowments between \$4 billion and \$6 billion?
6. Does any foreign entity have any control or financial interest in your firm? If so, please identify and describe the relationship.
7. Will you be subcontracting, or executing any of the work described in these specifications through third party vendors? If so, explain.
8. What was the custodial client turnover (gains and losses) of your firm over the last three (3) years?
9. How many clients, public and private, do you serve that have asset sizes similar to the State of Arizona Treasurer's Office?
10. Please provide a brief description of any past or pending regulatory action, litigation or other legal proceedings involving your Custody Department, Securities Trading Department, or any registered employees and/or principals.
11. Does your firm consider itself to be a fiduciary with respect to the services provided? Is this stated in writing within your contract, and if so, how is it stated specifically?

- 
12. Please attach your client contract, with ALL addenda and attachments needed to execute this RFP. Failure to provide all required contract documents can disqualify a vendor from this RFP.

## **References**

1. Please provide a list of clients that have converted to your organization in the past twelve (12) months, including the dates of conversion.
2. Indicate the numbers of Mutual Fund families and Endowments of similar nature that you currently serve. Please provide client references.
3. Please list the five (5) money managers who have the largest market values in your custody.
4. Please list clients that have departed your organization in the past twelve (12) months.
5. Please list five (5) references for clients with similar structures and sizes to the State of Arizona Treasurer's Office, and that utilize any services you provide that support this structure (i.e., multiple mutual funds/short to long-term investments) with at least three of these references utilizing the same client service team you are proposing for this mandate. For how long has each been a client of your organization?
6. Please list five (5) client references for the client service representative that will be assigned to this account.

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**EXHIBIT E: CONFIDENTIAL INFORMATION DESIGNATION**

All materials submitted as part of a response to a solicitation are subject to Arizona public records law and will be disclosed if there is an appropriate public records request at the time of or after the award of the contract. Recognizing there may be materials included in a solicitation response that are proprietary or a trade secret, a process is set out in A.A.C. R2-7-103 (copy attached) that will allow qualifying materials to be designated as confidential and excluded from disclosure. For purposes of this process the definition of “trade secret” will be the same as that set out in A.A.C. R2-7-101(51).

Complete this form and return it with your Offer **along with the appropriate supporting information** to assist the State in making its determination as to whether any of the materials submitted as part of your Offer should be designated confidential because the material is proprietary or a trade secret and therefore not subject to disclosure.

STATE WILL NOT CONSIDER ANY MATERIAL IN YOUR OFFER “CONFIDENTIAL” UNLESS DESIGNATED ON THIS FORM.

**Check one of the following – if neither is checked, State will assume that as equivalent to “DOES NOT”:**

<input type="checkbox"/>	This response DOES NOT contain proprietary or trade secret information. I understand that my entire response will become public record in accordance with A.A.C. R2-7-C317.
<input type="checkbox"/>	This response DOES contain trade secret information because it contains information that: <ol style="list-style-type: none"><li>1. Is a formula, pattern, compilation, program, device, method, technique or process,</li><li>2. Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; AND</li><li>3. Is the subject of efforts by myself or my organization that are reasonable under the circumstances to maintain its secrecy.</li></ol>

NOTE: Failure to attach an explanation may result in a determination that the information does not meet the statutory trade secret definition. All information that does not meet the definition of trade secret as defined by A.A.C. R2-7-101(51) will become public in accordance with A.A.C. R2-7-C317. State may make its own determination on materials in accordance with A.A.C. R2-7-103.

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If State agrees with Offeror’s designation of trade secret or confidentiality and the determination is challenged, the undersigned hereby agrees to cooperate and support the defense of the determination with all interested parties, including legal counsel or other necessary assistance.

By submitting this response, Offeror agrees that the entire Offer, including confidential, trade secret and proprietary information may be shared with an evaluation committee and technical advisors during the evaluation process. Offeror agrees to indemnify and hold State, its agents and employees, harmless from any claims or causes of action relating to State’s withholding of information based upon reliance on the above representations, including the payment of all costs and attorney fees incurred by State in defending such an action.

<hr/>			<hr/>	
Offeror Company Name			Signature of Authorized Person	
<hr/>			<hr/>	
Address			Printed Name	
<hr/>			<hr/>	
City	State	Zip	Title	

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**Attachment: Confidential Information Designation (for reference only)**

A.A.C. R2-7-103 [Confidential Information] as was current at time of Solicitation issuance

- A. *If a person wants to assert that a person's offer, specification, or protest contains a trade secret or other proprietary information, a person shall include with the submission a statement supporting this assertion. A person shall clearly designate any trade secret and other proprietary information, using the term "confidential". Contract terms and conditions, pricing, and information generally available to the public are not considered confidential information under this Section.*
  
- B. *Until a final determination is made under subsection (C), an agency chief procurement officer shall not disclose information designated as confidential under subsection (A) except to those individuals deemed by an agency chief procurement officer to have a legitimate state interest.*
  
- C. *Upon receipt of a submission, an agency chief procurement officer shall make one of the following written determinations:*
  1. *The designated information is confidential, and the agency chief procurement officer shall not disclose the information except to those individuals deemed by the agency chief procurement officer to have a legitimate state interest;*
  2. *The designated information is not confidential; or*
  3. *Additional information is required before a final confidentiality determination can be made.*
  
- D. *If an agency chief procurement officer determines that information submitted is not confidential, a person who made the submission shall be notified in writing. The notice shall include a time period for requesting a review of the determination by the state procurement administrator.*
  
- E. *An agency chief procurement officer may release information designated as confidential under subsection (A) if:*
  1. *A request for review is not received by the state procurement administrator within the time period specified in the notice; or*
  2. *The state procurement administrator, after review, makes a written determination that the designated information is not confidential.*

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## **EXHIBIT F: LETTER OF INSURABILITY**

The Offeror shall provide a Letter of Insurability from the Insurance Company as a proof that the Offeror currently possesses the required insurance as stated in the Special Terms and Conditions or the Offeror is able to obtain the required Minimum Scope and Limits of Insurance should a contract be awarded to them.

The Letter of Insurability (and any additional letters) should be clearly marked.

**NOTE:** Awarded Contractors shall provide a Certificate of Insurance (e.g., ACORD forms) and associated policy endorsement(s) **electronically** prior to beginning Service(s) or performing any other work under the Contract. Contractors shall also provide updated Certificates of Insurance **electronically**, so the State has current Certificates of Insurance as required under the Contract.

## EXHIBIT G: CONFORMANCE STATEMENTS

ASTO WILL NOT CONSIDER ANY EXCEPTIONS UNLESS DESIGNATED ON THIS FORM. READ THE INSTRUCTIONS TO OFFERORS BEFORE TAKING ANY EXCEPTIONS – TAKING EXCEPTIONS CAN BE GROUNDS FOR STATE REJECTING OR DOWN-GRADING YOUR OFFER IN EVALUATION.

### CONFORMANCE TO THE INSTRUCTIONS:

Check one of the following – if neither is checked, State will assume that as equivalent to “YES”:

- YES – Offeror acknowledges that it has read and understands the Instructions to Offerors of the Solicitation Documents and attests that its Offer complies.
- NO – Offeror acknowledges that it has read and understands the Instructions to Offerors of the Solicitation Documents, and attests that its Offer complies with both EXCEPT FOR the exceptions listed in **Exhibit G Supplement 1**.

### CONFORMANCE TO THE SCOPE:

Check one of the following – if neither is checked, State will assume that as equivalent to “YES”:

- YES – Offeror acknowledges that it has read and understands the Scope Document of the Solicitation Documents and attests that its Offer complies.
- NO – Offeror acknowledges that it has read and understands the Scope Document in Part 2 of the Solicitation Documents and attests that its Offer complies EXCEPT FOR the exceptions listed in **Exhibit G Supplement 2**.

### CONFORMANCE TO THE CONTRACT TERMS AND CONDITIONS:

Check one of the following – if neither is checked, State will assume that as equivalent to “YES”:

- YES – Offeror acknowledges that it has read and understands the Special Terms and Conditions and the Uniform Terms and Conditions, along with their respective Exhibits of the Solicitation Documents and attests that its Offer complies with both.
- NO – Offeror acknowledges that it has read and understand the Special Terms and Conditions and the Uniform Terms and Conditions, along with their respective Exhibits of the Solicitation Documents and attests that its Offer complies with both EXCEPT FOR the exceptions listed in **Exhibit G Supplements 3 and 4**.



**EXHIBIT G – SUPPLEMENT 1: EXCEPTIONS TO INSTRUCTIONS**

Article / Paragraph or Exhibit Reference	Proposed Changes / Alternate Language	Rationale for Proposed Change
No.1: Instructions to Offerors		

\_\_\_\_\_  
Company Name

\_\_\_\_\_  
Signature of Person Authorized to Sign

**EXHIBIT G – SUPPLEMENT 2: EXCEPTIONS TO SCOPE OF WORK**

Article / Paragraph or Exhibit Reference	Proposed Changes / Alternate Language	Rationale for Proposed Change
No.2: Scope of Work		

\_\_\_\_\_  
Company Name

\_\_\_\_\_  
Signature of Person Authorized to Sign

**EXHIBIT G – SUPPLEMENT 3: EXCEPTIONS TO SPECIAL TERMS AND CONDITIONS**

Article / Paragraph or Exhibit Reference	Proposed Changes / Alternate Language	Rationale for Proposed Change
No.3: Special Terms & Conditions		

\_\_\_\_\_  
Company Name

\_\_\_\_\_  
Signature of Person Authorized to Sign

**EXHIBIT G – SUPPLEMENT 4: EXCEPTIONS TO UNIFORM TERMS AND CONDITIONS**

Article / Paragraph or Exhibit Reference	Proposed Changes / Alternate Language	Rationale for Proposed Change
No.4: Uniform Terms & Conditions		

\_\_\_\_\_  
Company Name

\_\_\_\_\_  
Signature of Person Authorized to Sign

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## EXHIBIT G – SUPPLEMENT 5: BOYCOTT OF ISRAEL DISCLOSURE

Please note that if any of the following apply to this Solicitation, Contract, or Contractor, then the Offeror shall select the “Exempt Solicitation, Contract, or Contractor” option below:

- The Solicitation or Contract has an estimated value of less than \$100,000;
- Contractor is a sole proprietorship;
- Contractor has fewer than ten (10) employees; OR
- Contractor is a non-profit organization.

Pursuant to A.R.S. §35-393.01, public entities are prohibited from entering into contracts “unless the contract includes a written certification that the company is not currently engaged in and agrees for the duration of the contract to not engage in, a boycott of goods or services from Israel.”

Under A.R.S. §35-393:

1. "Boycott" means engaging in a refusal to deal, terminating business activities or performing other actions that are intended to limit commercial relations with entities doing business in Israel or in territories controlled by Israel, if those actions are taken either:
  - (a) Based in part on the fact that the entity does business in Israel or in territories controlled by Israel.
  - (b) In a manner that discriminates on the basis of nationality, national origin or religion and that is not based on a valid business reason.
2. "Company" means an organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company or other entity or business association, including a wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate, that engages in for-profit activity and that has ten or more full-time employees.
3. "Public entity" (a) means this State, a political subdivision of this State or an agency, board, commission or department of this State or a political subdivision of this State. (b) Includes the universities under the jurisdiction of the Arizona board of regents and community college districts as defined in section 15-1401.

The certification below does not include boycotts prohibited by 50 United States Code Section 4842 or a regulation issued pursuant to that section. See A.R.S. § 35-393.03.

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**In compliance with A.R.S. § 35-393 *et seq.*, all offerors must select one of the following:**

- The Company submitting this Offer **does not** participate in, and agrees not to participate in during the term of the contract, a boycott of Israel in accordance with A.R.S. §§ 35-393 *et seq.* I understand that my entire response will become public record in accordance with A.A.C. R2-7-C317.
- The Company submitting this Offer **does** participate in a boycott of Israel as described in A.R.S. §§ 35-393 *et seq.*
- Exempt Solicitation, Contract, or Contractor.**

Indicate which of the following statements applies to this Contract (may be more than one):

- Solicitation or Contract has an estimated value of less than \$100,000;
- Contractor is a sole proprietorship;
- Contractor has fewer than ten (10) employees; and/or
- Contractor is a non-profit organization.

Signature of person authorized to sign
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Company Name
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Printed name and title
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Date
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Contact email address
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Contact phone number
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## EXHIBIT G – SUPPLEMENT 6: FORCED LABOR OF ETHNIC UYGHURS BAN

Please note that if any of the following apply to this Solicitation, Contract, or Contractor, then the Offeror shall select the “Exempt Solicitation, Contract, or Contractor” option below:

- Contractor is a sole proprietorship;
- Contractor has fewer than ten (10) employees; OR
- Contractor is a non-profit organization.

Pursuant to A.R.S. § 35-394, the State of Arizona prohibits a public entity from entering into or renewing a contract with a company unless the contract includes written certification that the company does not use the forced labor, or any goods or services produced by the forced labor, of ethnic Uyghurs in the People's Republic of China.

Under A.R.S. § 35-394:

1. "Company" means an organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company or other entity or business association, including a wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate, that engages in for-profit activity and that has ten or more full-time employees.
2. "Public entity" means this State, a political subdivision of this State or an agency, board, commission or department of this State or a political subdivision of this State.

In compliance with A.R.S. § 35-394, all offerors must select one of the following:

The Company submitting this Offer **does not** use, and agrees not to use during the term of the contract, any of the following:

- Forced labor of ethnic Uyghurs in the People’s Republic of China;
- Any goods or services produced by the forced labor of ethnic Uyghurs in the People’s Republic of China; or
- Any Contractors, Subcontractors, or suppliers that use the forced labor or any goods or services produced by the forced labor of ethnic Uyghurs in the People’s Republic of China.

The Company submitting this Offer **does** participate in use of Forced Uyghurs Labor as described in A.R.S. § 35-394.

**Exempt Solicitation, Contract, or Contractor.**

Indicate which of the following statements applies to this Contract (may be more than one):

- 
- Contractor is a sole proprietorship;
  - Contractor has fewer than ten (10) employees; and/or
  - Contractor is a non-profit organization.

Signature of person authorized to sign

Company Name

Printed name and title

Date

Contact email address

Contact phone number



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## EXHIBIT G – SUPPLEMENT 7: AZ BASELINE INFRASTRUCTURE SECURITY CONTROLS

Contractor shall follow the State of Arizona’s Data security policy standard (currently [State of AZ Data Security Std S8120](#)) and Addendum B to the Special Terms and Conditions, titled Warranties and Requirements Related to Arizona Information Technology Statewide Policies, Standards, and Procedures when storing, processing, or transmitting State Data.

Contractor acknowledges and agrees that only NIST Cybersecurity Framework (CSF) [NIST SP800-53 Security and Privacy Controls](#) will be accepted for evaluation. No other forms of CSF will be accepted including ISO/IEC, SOC 2/3 reports, or other forms of self-attestations.

### The State Data classification:

NIST Low Impact: If a Contractor may process, transmit, or store **non-sensitive** State Data, metadata, and/or Data that may be released to the public that requires no additional levels of protection during its Work under the Contract, then the Contractor **shall** follow the NIST Low Impact security controls as directed by the State Chief Privacy Officer (Enterprise Security, Privacy & Risk Compliance team).

NIST Moderate Impact: If a Contractor may process, transmit, or store one or more of the following types of Data during its work under the Contract, then the Contractor **shall** complete NIST Moderate Impact security controls (authorized or provisional) status:

1. Personal identifiable information (PII) as defined by U.S Dept. of Labor (DOL);
2. Protective health information (PHI) as defined by HIPAA;
3. Payment card industry (PCI) Data as defined by PCI Security Std. Council (PCI SSC);
4. Criminal justice information (CJI) Data;
5. Federal tax information (FTI) Data defined by IRS 1075;
6. Data that if lost or unavailable would either be disruptive to government operations or cause a loss of confidence of trust in the government; or
7. Directed by the State Chief Privacy Officer (Enterprise Security, Privacy & Risk Compliance team).

Pursuant to [State Data Classification Policy P8110](#) and the above Data classification, **Contractor will have access to the following type of Data as part of its work under the Contract:**

- Low Impact Data (AZRAMP 125 / NIST Low Impact)
- Moderate Impact Data (AZRAMP 325 / NIST Moderate Impact)

**For this Offer to be considered, the Offeror shall follow the Infrastructure Security Controls and acknowledge its agreement below.**

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**A)** If the Offeror has achieved FedRAMP Authorized or StateRAMP NIST Moderate Control Baseline (authorized or provisional) certification, check the box below, submit certification information, and sign the signature section.

FedRamp Authorized

StateRAMP NIST Moderate Impact Control Baseline (authorized or provisional)

**B)** If the Offeror has **not** achieved FedRAMP Authorized or StateRAMP NIST Moderate Control Baseline (authorized or provisional) certification, complete the steps below, and sign the signature section.

**Step 1: Solicitation Proposal Stage**

Submit a completed Arizona Baseline Infrastructure Security Controls Prerequisite (35 questions) assessment spreadsheet [Pre-Requisite \(35 questions\)](#) as a separate attachment submitted with the proposal.

**Step 2: Contract Award Stage:** If awarded a contract, work under awarded state contract is contingent on:

A. Within forty-five days of award, the Contractor shall complete the AZRamp 325 Moderate Impact Control spreadsheet titled “Arizona Infrastructure Security Controls 2017 (Excel),” and fill out column’s from **I to N** and submit to State Chief Privacy Officer (Enterprise Security, Privacy & Risk Compliance team) [AZRamp 325 Moderate](#). Supporting documentation required for the AZRamp assessment are contractor IT System Security Plan (SSP) or Written Information Security Program (WISP) to obtain AZRamp Moderate (respond to Column F controls and control enhancements), or contact the State Chief Privacy Officer (Enterprise Security, Privacy & Risk Compliance team) with questions via [GRC@AZDOHS.gov](mailto:GRC@AZDOHS.gov).

B. Within thirty days of award, the Contractor shall register with StateRAMP (membership link: <https://stateramp.org>). Supply StateRAMP membership number to State Chief Privacy Officer (Enterprise Security, Privacy & Risk Compliance team) via [GRC@AZDOHS.gov](mailto:GRC@AZDOHS.gov).

**Step 3: Contract Management Stage:**

Within the first (1<sup>st</sup>) year of the Contract, awarded contractor **shall** obtain StateRAMP NIST Moderate Impact Authorization (authorized or provisional) security

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status, or contact the State Chief Privacy Officer (Enterprise Security, Privacy & Risk Compliance team) via [GRC@AZDOHS.gov](mailto:GRC@AZDOHS.gov) for an extension to the one-year deadline.

Signature of person authorized to sign

Company Name

Printed name and title

Date

Contact email address

Contact phone number

StateRAMP Number

FedRAMP Number