

Douglas A. Ducey
Governor



Gilbert Davidson
Interim Director

ARIZONA DEPARTMENT OF ADMINISTRATION

STATE PROCUREMENT OFFICE

100 NORTH FIFTEENTH AVENUE • SUITE 201
PHOENIX, ARIZONA 85007

(602) 542-5511 (main) (602) 542-5508 (fax)
<http://spo.az.gov>

Sent via e-mail to: Kathy.Salcido@rbccm.com

January 18, 2018

Re: Award of Contract No. ADSPO17-00006973 for Managing Underwriting Services

Dear Mrs. Salcido,

Thank you for submitting a response to Invitation to Bid No. ADSPO17-00006973. I am pleased to inform you that your company's offer has been selected for award.

The initial contract term shall begin on February 1, 2018.

All offers received were evaluated in accordance with the evaluation criteria set forth in the solicitation document. The procurement file for this solicitation, including evaluation documents and resultant contracts, will be available for public viewing within three (3) days.

In accordance with Special Terms and Conditions of the contract and prior to beginning work under the contract, your company is required to submit a Certificate of Insurance to the State Procurement Office. The certificate of insurance shall indicate that your company is in compliance with insurance requirements contained in the contract. Please submit your certificate of insurance to me as soon as possible.

You are cautioned not to begin any work under the contract until the Procurement Officer assigned to your contract has issued a written Master Blanket Purchase Order.

If you have any questions regarding your company's contract, please contact me at Mackenzie.Hix@azdoa.gov or 602.542.9126. Thank you for your response and for your continued interest in doing business with the State of Arizona.

Sincerely,

A handwritten signature in black ink, appearing to read "Mackenzie Hix". The signature is fluid and cursive, with the first name "Mackenzie" written in a larger, more prominent script than the last name "Hix".

Mackenzie Hix, Procurement Manager Senior, Statewide

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Attachment 1 Offer and Acceptance Form

SUBMISSION OF OFFER: Undersigned hereby offers and agrees to provide Financial Underwriting Services in compliance with the Solicitation indicated above and our Offer indicated by the latest dated version below:

Initial Offer:	1.	6/28/2017	KF						
		date	initial						
Revised Offers:	2.	x		3.	x		4.	x	
		date #1	initial		date #1	initial		date #1	initial
	5.	x		6.	x		7.	x	
		date #4	initial		date #5	initial		date #6	initial
Best and Final Offer:	8.	x							
		date	initial						

RBC Capital Markets, LLC

Offeror company name
2398 E. Camelback Road, Suite 700
Address
Phoenix, AZ 85016
City State ZIP
41-1416330
Federal tax identifier (EIN or SSN)



KF

Signature of person authorized to sign Offer	Initials
Kurt M. Freund, Managing Director	
Printed name and title	
Kathy Salcido, Associate Vice President	
Contact name and title	
Kathy.salcido@rbccm.com	(602) 381-5371
Contact Email Address	Contact phone number

CERTIFICATION: By signature in the above, Offeror certifies that it:

- will not discriminate against any employee or applicant for employment in violation of Federal Executive Order 11246, [Arizona] State Executive Order 2009-9 or A.R.S. §§ 41-1461 through 1465;
- 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;
- complies with A.R.S. § 41-3532 when offering electronics or information technology products, services, or maintenance; and
- is not debarred from, or otherwise prohibited from participating in any contract awarded by federal, state, or local government.

ACCEPTANCE OF OFFER: State hereby accepts the initial Offer, Revised Offer, or Best and Final Offer identified by the number at the top of this form, and which was dated by signature below (the Accepted Offer). Offeror is now bound (as Contractor) to carry out the Work under the attached Contract, of which the Accepted Offer forms a part. Contractor is cautioned not to commence any billable work or to provide any material or perform any service under the Contract until Contractor receives the applicable Order or written notice to proceed from Procurement Officer.

State's Contract No. is: **ADSP017-00006973**

The effective date of the Contract is:

Contract award date:

Procurement Officer signature	Procurement Officer printed name
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PART 4 of the Solicitation Documents:
Offer Forms (Attachments)

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Attachment 2-A
Experience and Capacity Questionnaire

STATE MAY DETERMINE YOUR PROPOSAL IS NON-RESPONSIVE IF YOU DO NOT ANSWER ALL QUESTIONS FULLY.

Question 1: **Indicate whether the Offeror wishes to be considered for the position of Senior Manager or Co-Manager. The Department may select for any financing, in addition to a Senior Manager, one or more Co-Managers. If the Offeror were not selected as a Senior Manager for a particular financing, would the Offeror be willing to act as a Co-Manager?**

Offeror Response:

RBC Capital Markets ("RBCCM") wishes to be considered for the position of senior managing underwriter ("senior manager") for the State of Arizona (the "State") financings. We believe that our demonstrated experience and expertise, both nationally and particularly in the Arizona municipal market and for state-level issuers, makes us ideally suited to serve the State in the senior underwriter role. However, should the State choose another firm as senior underwriter on a financing, we would also welcome the opportunity to serve as a co-managing underwriter ("co-manager"). Given our historic role as financial advisor to many State-level issuers, we also note that RBCCM would not serve as underwriter on any financing where we were engaged as the financial advisor on such financing.

RBCCM's value as a managing underwriter is our proven ability to expand the sale and distribution of the State's debt offerings, thereby lowering the State's interest costs. RBCCM consistently ranks as one of the top underwriters of tax-exempt bonds, both in Arizona and nationally, as further detailed in later sections of our proposal. Our volume of experience and familiarity with Arizona tax-exempt debt, coupled with our extensive distribution network, ensures that RBCCM's participation in an underwriting is value-added. Our position in Arizona is unique in that we maintain our high underwriter ranking while serving as financial advisor to many of the largest issuers in Arizona. Not only has RBCCM historically served as financial advisor to the Arizona Department of Transportation ("ADOT"), we have also served the Arizona Department of Administration ("ADOA") and all three State universities in this role. While this greatly impacts our underwriting rankings in Arizona as we are precluded from underwriting financings of these issuers, we still remain among the top several senior managing underwriters in Arizona given the volume of senior manager roles we undertake for other large issuers in Arizona. In addition to our Arizona experience, RBCCM is also consistently among the top five underwriting firms on a national basis (despite generally also maintaining a top ten ranking nationally as financial advisor). ***In 2016, RBCCM was the #5 ranked underwriter for negotiated transactions nationally for the 5th straight year***, leading 650 transactions totaling over \$22.67 billion as indicated by the independent league ranking table to the right. **RBCCM's Municipal Finance Group represents one of the largest, most stable commitments to municipal finance in the nation.**

National Lead Manager Negotiated League Table - 2016

Underwriting Firm	2016 Par Amt. (\$ mil)	2016 Rank	2016 Mkt. Share	2016 # of Issues
Bank of America Merrill Lynch	\$44,732.8	1	13.8	337
Citi	35,259.5	2	10.9	288
J. P. Morgan	29,806.6	3	9.2	244
Morgan Stanley	25,068.0	4	7.7	228
RBC Capital Markets	22,678.8	5	7.0	650
Wells Fargo	18,957.5	6	5.8	221
Stifel Nicolaus	17,735.9	7	5.5	850
Goldman Sachs	15,536.1	8	4.8	88
Barclays	15,419.5	9	4.7	117
Piper Jaffray	14,203.3	10	4.4	519
Industry Total	\$324,969.3	-	100.0	7,634

Source: Securities Data Corporation, Negotiated, True Economics to Bookrunner, 1/1/2016 - 12/31/2016.

Question 2: **Provide a three year financial history of the firm.**

Offeror Response:

Question 9 summarizes RBC Capital Markets' three-year financial performance. We have also summarized our most recent 3-year history of financial performance in question 3 below. Complete audited financial statements for Royal

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Bank of Canada for these years, including income statements and balance sheets, can be obtained at <http://www.rbc.com/investorrelations/annual-meeting-reports.html>.

Question 3: Indicate your reported excess capital for your fiscal year ending in 2013, 2014, 2015 and 2016 if available. Indicate your firm's ability and willingness to underwrite bonds in general under current market conditions and give three examples in the last twelve months of transactions where your firm has underwritten significant balances on transactions. Please indicate whether or not your firm has, in any way, restricted the level of capital available for underwriting municipal debt over the past 12 months.

Offeror Response:

The Royal Bank of Canada, the parent company of RBCCM, is among the largest and most stable financial institutions in the world, with assets of more than \$1 trillion and a market capitalization of approximately \$105 billion.

The Royal Bank of Canada has distinguished itself by maintaining the highest financial strength and stability among our peers with ratings of Aa3/AA-/AA even through the uncertainty and upheaval in the financial markets during the last decade. RBC and RBCCM's reported capital position for fiscal years ending in 2013, 2014, 2015 and 2016 is detailed in the table to the right.

Regulatory Capital (\$000s)

RBC Capital Markets	FY2013	FY2014	FY2015	FY2016
Total Firm (Regulatory) Capital	\$5,545,384	\$5,808,082	\$6,063,682	\$6,483,478
Total Equity Capital	4,145,384	4,408,082	4,663,682	5,083,478
Excess Net Capital	1,132,072	1,044,489	1,312,631	1,797,338

RBC Financial Group	FY2013	FY2014	FY2015	FY2016
Total Firm (Regulatory) Capital	\$42,802,155	\$43,116,973	\$46,563,378	\$48,549,132
Total Equity Capital	48,180,662	46,981,295	51,331,781	53,528,875
Tier 1 Capital	36,293,195	36,377,898	40,572,369	41,313,480

RBCCM has no self-imposed limit on municipal underwriting liability and we have not restricted the level of capital available for underwriting municipal debt at any time. **RBCCM's maximum municipal underwriting capacity (based on regulations requiring excess net capital of at least 7% of such amount) is \$25.7 billion**, which is far in excess of the requirement for any senior managed bond transaction for the State. RBCCM does not require any sources of outside capital and the firm has never had any internal limitations on utilizing capital for public finance.

One of the most valuable commitments an underwriter can make to an issuer is underwriting unsold balances during turbulent market conditions, and RBCCM regularly makes large capital commitments in support of our issuer clients.

We understand that committing our capital saves the issuer the penalty of pricing at a higher interest rate market-clearing level. Given RBC and RBCCM's strong financial position and low-cost internal funding, the firm stands committed to deploy our capital to support senior managed clients. Excess net capital is monitored and maintained for the various RBCCM business lines of which secondary and new issue municipal activity is a subset without a distinction in capital allocation. **Since 2013, we have committed nearly \$4.5 billion to our municipal clients** by underwriting unsold balances. The table to the right provides specific examples of recent financings for which RBCCM underwrote a significant portion of unsold balances on behalf of our clients.

Select RBCCM Senior Managed Capital Commitments

Sale Date	Issuer	Par Amount	Capital Commitment	% of Issue
04/20/17	City of Houston Combined Utility System	\$288,080,000	\$29,245,000	10%
03/09/17	Texas Public Finance Authority	138,615,000	46,705,000	34%
01/24/17	City of Philadelphia	262,865,000	30,455,000	12%
01/18/17	City and County of Denver School District #1, CO	466,675,000	105,000,000	22%
10/18/16	Alaska Municipal Bond Bank	109,835,000	32,000,000	29%
09/22/16	Indiana Finance Authority	250,375,000	118,530,000	47%
09/19/16	American Municipal Power Inc.	209,530,000	32,440,000	15%
09/14/16	Port of Los Angeles	201,560,000	25,195,000	13%
09/13/16	Rhode Island Hsg	193,105,000	25,235,000	13%
06/28/16	Johnson Co (Clebune) ISD	108,975,000	30,960,000	28%
06/24/16	Bexar County, TX	350,155,000	24,575,000	7%
05/24/16	Miami-Dade County, FL	340,140,000	136,750,000	40%
05/24/16	Massachusetts Educational Financing Auth.	340,000,000	80,000,000	24%
05/04/16	NYS Dorm Authority	216,665,000	22,000,000	10%

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Question 4: Does your firm have access to additional capital, such as bank credit lines or support from a corporate parent that can be unconditionally called on during the process of an underwriting?

Offeror Response:

Given our extensive capital base, RBCCM's municipal finance group has never had a need to access additional capital. However, as a major global bank, RBCCM is supported by the broader capital asset base of RBC Financial Group, which as noted in question 3, reported in excess of \$48 billion of regulatory capital in fiscal 2016. Our risk managers analyze the capital required among our various business units and ensure that each business unit can fully support our client's needs at any given time. RBCCM stands committed to using capital to support any size underwriting contemplated by the State. Additionally, each of our municipal underwriters has the authority to commit capital if necessary to enable the completion of a transaction. With this authority in hand, they are empowered to evaluate the market and commit to taking down bonds to support our municipal transactions in an efficient and effective manner. This is evidenced by the approximately \$4.5 billion of capital committed to transactions we've underwritten since 2013.

Question 5: Identify the key personnel within the firm who would be directly involved in managing and supporting the issuers' financings should be the firm be selected, including bankers and trading personnel. Indicate the role of these individuals, their current license status and the percentage of the firm's total effort that will be provided by each individual. Briefly, describe the experience of the identified team members in similar financings and, in particular, transportation financings. Include an organizational chart for the firm's team. For the individuals assigned to the team, show organizationally their position in the municipal finance department of the firm.

Offeror Response:

The primary individuals assigned to the State have significant experience in all areas of municipal finance, but are particularly knowledgeable about Arizona public finance. Their experience covers all types of fixed rate and variable rate issues, as well as taxable and tax-exempt issues. While the full banking and marketing resources of RBCCM will be available to the State, the particular professionals listed below have been selected due to their experience and expertise in providing underwriting services to Arizona issuers.

From our Phoenix office, **Kurt Freund, John Snider, Nick Dodd, Megan Burke, Phong Pham, Kathryn Pong** and **Aliraza Hassan** will provide the management and day-to-day coverage of the State account. In particular, Mr. Freund, Mr. Dodd and Mr. Snider are knowledgeable of the State's financing programs, having served as underwriter or financial advisor on previous financings for virtually every state-level issuer. RBCCM's Phoenix Team will work closely with our Sales, Trading, and Underwriting Team in all aspects of the financing, including designing the marketing plan and bond parameters, internal salesforce briefings, and in coordinating one-on-one investor meetings in advance of marketing and pricing a bond transaction. RBCCM enjoys one of the largest sales and trading operations on the Street to broaden the distribution of the State's bonds. **Jaime Durando**, Managing Director and Head of Long Term Underwriting, will be the lead underwriter for any of the State's transactions. **Glenn McGowan**, Director and Lead Taxable Underwriter, will lead all taxable transactions for the State and will serve as additional underwriting support to Jaime Durando on every State financing. Their sales efforts will be supported by **Karl Hummel**, Managing Director and Head of Institutional Sales, and **Glen Hatch**, RBCCM's Phoenix Complex Director.

Research concerning the municipal market will be provided by **Chris Mauro**, CFA. Mr. Mauro and his team have secured their position as an industry leader within the municipal space through a large institutional investor following as well as a significant media presence. Mr. Mauro has been featured on CNBC's closing bell, and is also frequently quoted by the Wall Street Journal, Barron's, Bloomberg, and many other financial publications. Mr. Mauro's comprehensive municipal bond research and analysis will be used by RBCCM's sales force and will be available to the State as an underwriting client.

The State represents an important investment banking client relationship for the firm and as such, RBCCM is committed to providing the State with quality service and personnel that serves the State's needs to the greatest extent possible. Our staffing plan for the State has three components: (1) locally based representation; (2) experienced public finance bankers; and (3) coverage by experienced, senior underwriting professionals. We believe

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this three-pronged approach affords the State the professionalism, access and resources the State requires and deserves. Mr. Freund will serve as Team Lead and manage the State's relationship for the Firm from the Phoenix office. Mr. Freund is one of the State's most experienced investment bankers, serving as the primary banker for many of the largest issuers in the State. He has over 30 years' experience in Arizona public finance. Mr. Snider, Mr. Dodd and Ms. Burke all have extensive experience analyzing and structuring financings and will be intimately involved in all transactions with the State that are relevant to their experience and expertise. Additionally, Mr. Pham, Ms. Pong and Mr. Hassan will provide transaction support to the State including quantitative analysis, assistance with document preparation and review, closing coordination and other matters. Mr. Freund is located in the Phoenix office and would be available to attend all meetings in person.

On any transportation related financings for the Department of Transportation, RBCCM would also call upon the expertise of a number of other transportation specialists throughout the firm. **Michael Lexton, Tom Yang, and Jon Moellenberg**, are senior investment bankers with the firm who have extensive transportation financing expertise. These individuals would further support our banking effort by bringing "best practice" expertise from across the country on transportation related underwritings. Finally, RBCCM proposes that if a transaction arises that would involve derivative products, experts from our Municipal Products Group would supplement the efforts of Mr. Freund and the rest of the banking team. It is our intention that this combination of individuals ensures the State the highest level of expertise with immediate accessibility and response times.

The chart below depicts the RBCCM Team for any State financing.

RBCCM State of Arizona Team

Name	Title	Role	Contact	Location	Years of Experience	Years at RBCCM
Core Investment Banking Team						
Kurt Freund	Managing Director	Lead Banker	P. (602) 381-5522 E. kurt.freund@rbccm.com	Phoenix	30	30
John Snider	Managing Director	Day-to-Day Contact	P. (602) 381-5361 E. john.snider@rbccm.com	Phoenix	29	29
Nick Dodd	Managing Director	Day-to-Day Contact	P. (602) 381-5360 E. nick.dodd@rbccm.com	Phoenix	18	15
Megan Burke	Director	Transaction Execution	P. (602) 381-5367 E. megan.burke@rbccm.com	Phoenix	17	17
Phong Pham	Vice President	Transaction Execution	P. (602) 381-5370 E. phong.pham@rbccm.com	Phoenix	15	11
Kathryn Pong	Vice President	Transaction Execution	P. (602) 381-5359 E. kathryn.pong@rbccm.com	Phoenix	10	7
Aliraza Hassan	Associate	Transaction Execution	P. (602) 381-5342 E. aliraza.hassan@rbccm.com	Phoenix	5	3
Michael Lexton	Managing Director	Transportation Specialist	P. (212) 905-5907 E. michael.lexton@rbccm.com	New York	37	5
Tom Yang	Managing Director	Transportation Specialist	P. (415) 405-8206 E. tom.yang@rbccm.com	San Fran	20	10
Jon Moellenberg	Managing Director	Transportation Specialist	P. (303) 595-1210 E. jon.moellenberg@rbccm.com	Denver	19	9
Sales, Trading, & Underwriting Team						
Jaime Durando	Managing Director and Head of Municipal Underwriting	Lead Underwriter	P. (212) 618-55628 E. jamie.durando@rbccm.com	New York	34	10
Glenn McGowan	Director and Taxable Underwriter	Junior Underwriter and Long-Term Underwriter	P. (212) 519-8415 E. glenn.mcgowan@rbccm.com	New York	10	4
Karl Hummel	Managing Director and Head of Institutional Sales	Lead Institutional Sales	P. (212) 618-3505 E. karl.hummel@rbccm.com	New York	24	8
Glen Hatch	Phoenix Complex Director	Lead Retail Sales	P. (602) 381-5350 E. glen.hatch@rbccm.com	Phoenix	19	4
Municipal Research						
Chris Mauro	Head of US Municipals Strategy	Municipal Research	P. (212) 618-7729 E. chris.mauro@rbccm.com	New York	29	7

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The percentage of time allocated by each professional on any given financing will vary depending on the specific type of financing or task being undertaken. Some combination of Kurt Freund, Nick Dodd, John Snider, Megan Burke, Phong Pham, Kathryn Pong and Aliraza Hassan will be involved in 100% of all services provided on any State financing. On any given financing their efforts will constitute 60% to 70% of the overall firm effort. Jaime Durando, Glenn McGowan, Karl Hummel and Glen Hatch will also be involved in all debt offerings, but for a smaller percentage of time (e.g. 20-25%) to advise on marketing, pricing and market conditions as well as to lead the Firm's underwriting efforts. Other members of the Arizona and national teams will be involved on a deal-by-deal basis for anywhere from 5% to 20% of the firm's total effort.

Resumes and current license status for each of the team members is listed in the table below:

Investment Banking Team

Name	Title	Location	Years of Experience	Years at RBCCM
Kurt Freund	Managing Director	Phoenix	30	30

Mr. Freund is a Managing Director, the Manager of the firm's Arizona municipal banking operations and a member of the firm's Municipal Banking Management Committee. Mr. Freund is among the most experienced investment bankers working in the municipal finance arena and has extensive experience across a broad range of municipal financing structures. He has worked with virtually all types of issuers and political subdivisions over a career in the municipal bond industry that spans more than 30 years. During that time, he has led financings for state agencies, counties, cities, public universities, community colleges, nonprofit hospitals and a number of special financing authorities. Among the municipal entities he works extensively with in Arizona are the Governor's Office and many of the large State agencies, including the Department of Administration, the Arizona Department of Transportation, as well as all three of Arizona's public universities. Over the many years he has been in the business, Mr. Freund has developed and successfully completed many public/private partnership financings for facilities such as the University of Phoenix Football Stadium, several Cactus League baseball facilities, various mixed used developments and many other local development projects.

Prior to becoming an investment banker, Mr. Freund served in a senior staff role for seven years with the Arizona State Senate, including as the Senior Financial Advisor to the Senate where he was responsible for drafting and analyzing legislation concerning statewide tax and expenditure policy. He has developed and drafted many Arizona statutory provisions, and is regularly called upon by the Governor's Office and the Legislative leadership and staff to provide input and advice on legislation and public policy issues.

Mr. Freund is registered with the Financial Industry Regulatory Authority, Inc. ("FINRA") and maintains Series 7, 24, 50, 52, 53, 63 and 79 securities licenses. He holds a Bachelor's degree in economics from Arizona State University.

John Snider	Managing Director	Phoenix	29	29
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Mr. Snider joined RBCCM in 1989 and since that time has been involved with over \$12 billion in municipal bond financings for a variety of cities, counties, special districts, charter schools, school districts, universities and state agencies. While Mr. Snider has a wide variety of experience, his primary area of expertise has been financing for K-12 education borrowers, including charter schools.

Mr. Snider heads RBC Capital Markets' Charter School Finance Group. Since 2000, RBC Capital Markets has financed in excess of 120 charter school projects for over 75 charter school organizations raising approximately \$2.2 billion for acquisition, construction, renovation, leasehold improvements, refinancing and related costs for charter schools. RBC Capital Markets' Charter School Finance Group has financed or is financing charter schools in multiple states, including Arizona, California, Florida, Illinois, Indiana, Massachusetts, New Jersey, North Carolina and Texas. Mr. Snider has served as RBC's lead banker for Aspire Public Schools, BASIS Schools, Coastal & Classical Academies, Phoenix Collegiate Academy and Thomas Jefferson Classical Academy, among others.

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Outside of the K-12 education area, Mr. Snider has been a key participant in many high profile bond financings including \$350 million of research facilities for the University of Arizona and \$450 million for the Arizona Sports and Tourism Authority's share of the home stadium of the NFL Arizona Cardinals and MLB spring training facilities.

Mr. Snider received his Bachelor's of Science degree in finance from Arizona State University, graduating summa cum laude, and his Masters in Business Administration from the University of Chicago. Mr. Snider's community involvement includes sitting on several boards, including formerly serving as Chair of the Phoenix Boys Choir Association and as President of Arizona School for the Arts, an excelling Arizona charter school (Mr. Snider continues as an ASA board member & Finance Committee Chair). Mr. Snider currently serves on the board of the Arizona Charter School Association as its Finance Chair. Mr. Snider is registered with FINRA and maintains Series 7, 50, 63 and 79 securities licenses.

Nick Dodd	Managing Director	Phoenix	18	15
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Mr. Dodd joined RBCCM in 2001. Prior to joining the firm he spent a year with A.G. Edwards & Sons, Inc. and three years with a regional municipal bond underwriter in California. During this time, he has participated in the issuance of over \$10 billion in municipal bonds. Mr. Dodd has served as lead banker or co-lead banker to a wide variety of issuers with his primary responsibilities including all aspects of client management, debt structuring and transaction execution.

Mr. Dodd has been involved with financings for a number of state agencies including the Arizona Department of Administration, the Arizona Department of Transportation and the Arizona School Facilities Board. Mr. Dodd is very active working with cities and towns in Arizona including the cities and towns of Gilbert, Phoenix, Mesa, Tucson, Tempe, Chandler, Queen Creek and Casa Grande to name a few. Mr. Dodd is active in the higher education sector having worked with a number of universities in the western United States including Arizona State University, the University of Arizona, Northern Arizona University, the University of Utah and Midwestern University as well as almost every community college district in the State of Arizona. Finally, Mr. Dodd is a member of RBC Capital Markets special district sector and covers all CFD and related special district financings for the firm within the State of Arizona. Mr. Dodd is involved in various community boards and associations including Arizona Government Finance Officers Association, Arizona City and County Managers Association and Arizona Town Hall. Mr. Dodd is a past member of The Gilbert Public Facility Municipal Property Corporation.

Mr. Dodd is registered with FINRA and maintains Series 7, 50, 63 and 79 securities licenses. He holds a Bachelor of Science degree in Finance from Southern Illinois University.

Megan Burke	Director	Phoenix	17	17
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Ms. Burke is a Director in the Phoenix Municipal Finance office of RBCCM and specializes in bond financing for charter schools and school districts. Ms. Burke has worked with the RBCCM Charter School Finance Group since 2001 to finance nearly \$1.10 billion for over 75 charter school organizations in several states including Arizona, California, Illinois, Ohio, Texas and Maryland. Most notably, Ms. Burke financed Qualified School Construction Bonds for High Tech High in San Diego, California, which won recognition as the Far West Small Issuer Deal of the Year from the Bond Buyer. Ms. Burke financed her first charter school transaction in California in 2007 and since has worked on 15 transactions with a total par value of \$295 million.

Prior to joining RBCCM in 2001, Ms. Burke worked in Public Finance for Ernst & Young LLP. During her three years at Ernst & Young, she worked in the Arbitrage Rebate Group on municipal financings with issuers from more than fifteen states. In that role, she developed both new money and refunding issue experience in cash flow analysis and investment of bond proceeds.

Ms. Burke graduated from the University of Arizona with Bachelor of Science degrees in both Accounting and Finance. Ms. Burke is currently registered with the Financial Industry Regulatory Authority, Inc. ("FINRA") with Series 7, 53 and 63 licenses. Ms. Burke is active in the community and sits on the Boards of the Phoenix Public Library Foundation and the Madison Education Foundation.

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Phong Pham	Vice President	Phoenix	15	11
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Mr. Pham is a Vice President in the Arizona Municipal Finance office of RBC Capital Markets. Mr. Pham joined RBC Capital Markets in the Phoenix office in 2006. Prior to joining the firm, Mr. Pham worked in the public finance group of a regional investment bank and has over 15 years of combined accounting and finance experience.

Mr. Pham provides quantitative and analytical expertise, transaction support and has extensive experience in the structuring of bond transactions including performing cashflow and tax rate analysis. Mr. Pham has also been involved in various general governmental bond transactions including general obligation bonds, excise/sales tax revenue bonds, utility revenue bonds, traditional and charter school district bonds, and special district bonds. Mr. Pham has been involved in over 35 Community Facilities District (CFD) transactions totaling over \$255 million par amount of bonds including some of the largest CFD transactions completed in Arizona. In addition, he has also served a number of Arizona issuers including City of Phoenix, City of Tucson, City of Flagstaff, City of Mesa, City of Scottsdale, City of Prescott, Greater Arizona Development Authority, and Arizona Water Infrastructure Financing Authority, to name a few.

Mr. Pham is formerly a Certified Public Accountant having previously worked for the State of Michigan Office of the Auditor General and Deloitte & Touche LLP. Mr. Pham holds a Bachelor's degree in accounting from Grand Valley State University and is currently registered with FINRA with his Series 7, 50, 52 and 63 securities licenses.

Kathryn Pong	Vice President	Phoenix	10	7
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Ms. Pong is a Vice President of RBC Capital Markets, LLC, with over 10 years of public sector investment banking experience. Ms. Pong's experience includes providing deal execution and strategic solutions to a wide range of public sector borrowers. Ms. Pong has led the quantitative and analytic analyses on over \$10 billion in sole/senior managed and financial advisory transactions. Representative issuers include the State of Arizona Department of Administration, Arizona Transportation Board, Arizona State University, Northern Arizona University, University of Arizona, Pima County, City of Tempe, to name a few. More recently, Ms. Pong played a leading role in developing quantitative and structuring analysis for the Arizona Transportation Board's \$203 million Series 2016 Highway Revenue Refunding Bonds; Arizona State University's \$226 million Series 2016BC System Revenue Bonds; Pima County, Arizona's \$212 million Series 2016 Sewer System Revenue Refunding Obligations; and The University of Arizona's \$187 million Series 2016AB System Revenue Bonds.

Ms. Pong graduated cum laude from the University of Santo Tomas with a Bachelor of Science degree in Medical Technology. Ms. Pong is currently registered with FINRA with Series 7, 50, 63 and 79 securities licenses.

Aliraza Hassan	Associate	Phoenix	5	3
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Mr. Hassan joined RBCCM in 2013. Previously, Mr. Hassan was an Analyst at Public Financial Management for two years consulting city and state governments in a wide variety of debt management and structuring functions, and the planning and execution of public private partnerships. As an Associate in RBCCM's Municipal Finance Department, Mr. Hassan provides analytical, structuring, and execution support to municipal finance clients focused primarily in Arizona. He has worked on over \$2 billion in senior managed transactions for various issuers, and is currently working with cities and towns in Arizona including CFD and related special district financings.

Mr. Hassan is currently registered with FINRA with Series 7, 50, 52, 63 and 79 securities licenses. He holds a B.S.B.A. in Actuarial Science and Finance from Drake University.

Michael Lexton	Managing Director	New York	37	5
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Mr. Lexton joined the Municipal Finance Group of RBC Capital Markets in April 2012, as Head of U.S. transportation financing. During his over 37 year career in public finance, Mr. Lexton has focused exclusively on transportation infrastructure and has led financings for some of the most innovative and complex projects in the country, represented by over 200 financings totaling over \$35.0 billion. Specifically, in the surface transportation sector, he has led significant financings for DOTs in New Jersey, Massachusetts, Rhode Island, Florida, Alabama, Wisconsin,

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Colorado, New Mexico, Arizona, Ohio and Washington and for transportation agencies such as the Central Florida Expressway Authority, the Orange County Transportation Authority, the Pennsylvania Turnpike Commission and the Metropolitan Bay Transportation Authority in Boston. Additionally, he has extensive experience in financings that involve leveraging Federal grant funds, such as GARVEE bonds, and with Federal Loans, such as TIFIA. Two of his financings, \$257.0 million for the Denver International Airport and \$934.1 million for JFK International Airport's Terminal 4, were selected by Institutional Investor magazine as their municipal Deals of the Year.

Mr. Lexton has served on the Associates Board of the Airports Council International – North America and as Chairperson of the Public Private Ventures Division of the American Road and Transportation Builders Association. He has a BS degree in Economics from the Wharton School of the University of Pennsylvania and currently holds Series 7, 53 and 63 securities licenses.

Tom Yang	Managing Director	San Francisco	20	10
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Mr. Yang has spent his entire 20-year career in public finance, with a specific focus on transportation finance. Prior to joining RBCCM in 2007, Mr. Yang managed the transportation finance efforts in the western region of UBS Investment Bank for nine years. Rather than simply processing bond deals, Mr. Yang invests time, sometimes spanning years, developing credit and financing solutions for transportation issuers. As a result, Mr. Yang has secured a breadth of transportation funding structures serving as the lead banker in senior managed transactions, including: sales tax revenues, farebox revenues, congestion mitigation & air quality funds, FTA's Section 5307/5309 funds, Federal full funding grant agreements (Section 5309 New Starts), Transportation Development Act State grant funds, and motor vehicle revenues/fuel tax. Mr. Yang is RBCCM's lead banker for the Alaska Municipal Bond Bank, which uses a security mechanism that includes the State's moral obligation and the school aid intercept as well as a standing appropriation to replenish the reserve fund on parity with the State's lease credits. In the last two years, Mr. Yang has served as the lead for RBCCM's senior managed transportation special tax financings aggregating over \$1.8 billion in par, inclusive of: Clark County, Nevada (November 2015, \$100 million; April 2014, \$85 million); (Bi-State Development Agency of the Missouri-Illinois Metropolitan District (July 2013, \$381 million); City of Phoenix Transit (June 2013, \$328 million); Contra Costa Transportation Authority (December 2012, \$201 million); San Francisco Bay Area Rapid Transit (September 2012, \$241 million); Los Angeles Metro Transportation Authority (August 2012, \$262 million); Metropolitan Atlanta Transit Authority of Atlanta (August 2012/June 2014/September 2014, three bond issues totaling \$300 million); and San Joaquin County Transportation Authority (June 2014, \$49 million).

Mr. Yang holds a Bachelor's in Mechanical Engineering from the University of California, Berkeley, where he graduated with High Honors. He currently holds Series 7, 24, 53 and 63 securities licenses.

Jon Moellenberg	Managing Director	Denver	19	9
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Mr. Moellenberg serves as Manager of RBC's Denver Public Finance office. Mr. Moellenberg has more than 19 years of experience serving state and local government clients on more than \$20 billion in securities and financial products in ten different states. He is also a key member of RBC's Transportation Finance team, responsible for further expanding the firm's role in financing transportation projects in Colorado and throughout the Western Region. Over his career, he has maintained a focus on large transportation projects in the Midwest and the Rocky Mountain West, resulting in a knowledge base from which to offer reliable solutions.

Mr. Moellenberg holds a Bachelor of Science degree in Business Administration with a concentration in Finance from Colorado State University and a Juris Doctor degree from the University of Colorado School of Law in Boulder. He currently holds Series 7, 24, 50, 53 and 63 securities licenses.

Municipal Sales, Trading and Underwriting Team

Jaime Durando	Head of Municipal Underwriting	New York	33	9
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Mr. Durando is a Managing Director and Head of Municipal Syndication for RBC Capital Markets. His primary responsibilities include RBC Capital Markets' underwriting engagements for major transactions nationally. Mr.

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Durando has over 33 years of experience in municipal underwriting and trading, having directed senior managed transactions in excess of \$70 billion in municipal debt during his career. Prior to joining RBC Capital Markets in 2006, Mr. Durando spent his career at Wachovia Bank and its predecessor organizations where he was a Managing Director and Manager of Municipal Trading and Underwriting.

Mr. Durando graduated from the University of Delaware in 1980 with a BS-Finance degree and Seton Hall University in 1984 with an MBA-Finance. Mr. Durando currently holds Series 7, 53 and 63 securities licenses.

Glenn McGowan	Municipal Taxable Underwriting	New York	10	3
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Mr. McGowan is a member of the RBC underwriting practice based in New York. Mr. McGowan has led the underwriting of tax-exempt and/or taxable offerings in the general government, transportation, airport, infrastructure, public power, higher education, corporate-related, and housing sectors of the municipal market. Mr. McGowan's experience as a lead manager includes large issuers as well as middle-market clients. Since joining RBC, Mr. McGowan has led numerous transactions for municipal issuers across the country. Prior to joining RBC, Mr. McGowan served as the senior municipal underwriter at TD Securities. Prior to TD, Mr. McGowan was a taxable and tax-exempt municipal underwriter at Goldman Sachs, where he played a key role in leading many of the largest Build America Bond and Qualified School Construction Bond offerings that came to market.

Mr. McGowan holds FINRA Series 7, 63, and 79 licenses. Mr. McGowan graduated magna cum laude from the College of the Holy Cross in Worcester, MA, with a B.A. in economics-accounting.

Karl Hummel	Managing Director	New York	29	18
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Prior to joining RBC in September of 2008, Mr. Hummel was an Executive VP at UBS and Senior Institutional Salesperson at UBS and Goldman Sachs. Mr. Hummel has primary coverage responsibility for some of the firm's key institutional account relationships on the municipal side. In addition to maintaining his position as an institutional salesperson, he assumed the responsibilities of Manager, Institutional Sales at RBC Capital Markets in May, 2010.

Mr. Hummel holds a Finance degree from the University of California at Berkeley. He is also currently registered with FINRA with Series 7, 24, 53 and 63 securities licenses.

Glen Hatch	Phoenix Complex Director	Phoenix	19	4
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Mr. Hatch has been in the financial services industry since 1998, after spending 22 years with the U.S. Navy. During his time in the Navy, Mr. Hatch flew in over 42 combat missions, earning the Distinguished Flying Cross, Air Medal and Navy Commendation Medal for individual valor in combat.

Once Mr. Hatch retired from the Navy he joined Robinson-Humphrey in Atlanta, before making the move to Smith Barney. With Smith Barney he held various branch management positions, including Assistant Branch and Sales Manager at the Chicago Mercantile, which consisted of over 90 Financial Advisors. He eventually moved to Austin in 2005, and shortly after that, he helped merge the Smith Barney and Morgan Stanley Branches. In 2013, Mr. Hatch decided to make the move to RBC Wealth Management, working as the branch manager of the Austin, Texas branch. In August, 2015 he was asked to become the Complex Director of the RBC Phoenix Complex.

Mr. Hatch is registered with FINRA and maintains Series 3, 7, 8, 9, and 10 securities licenses.

Municipal Research

Chris Mauro	Managing Director	New York	30	8
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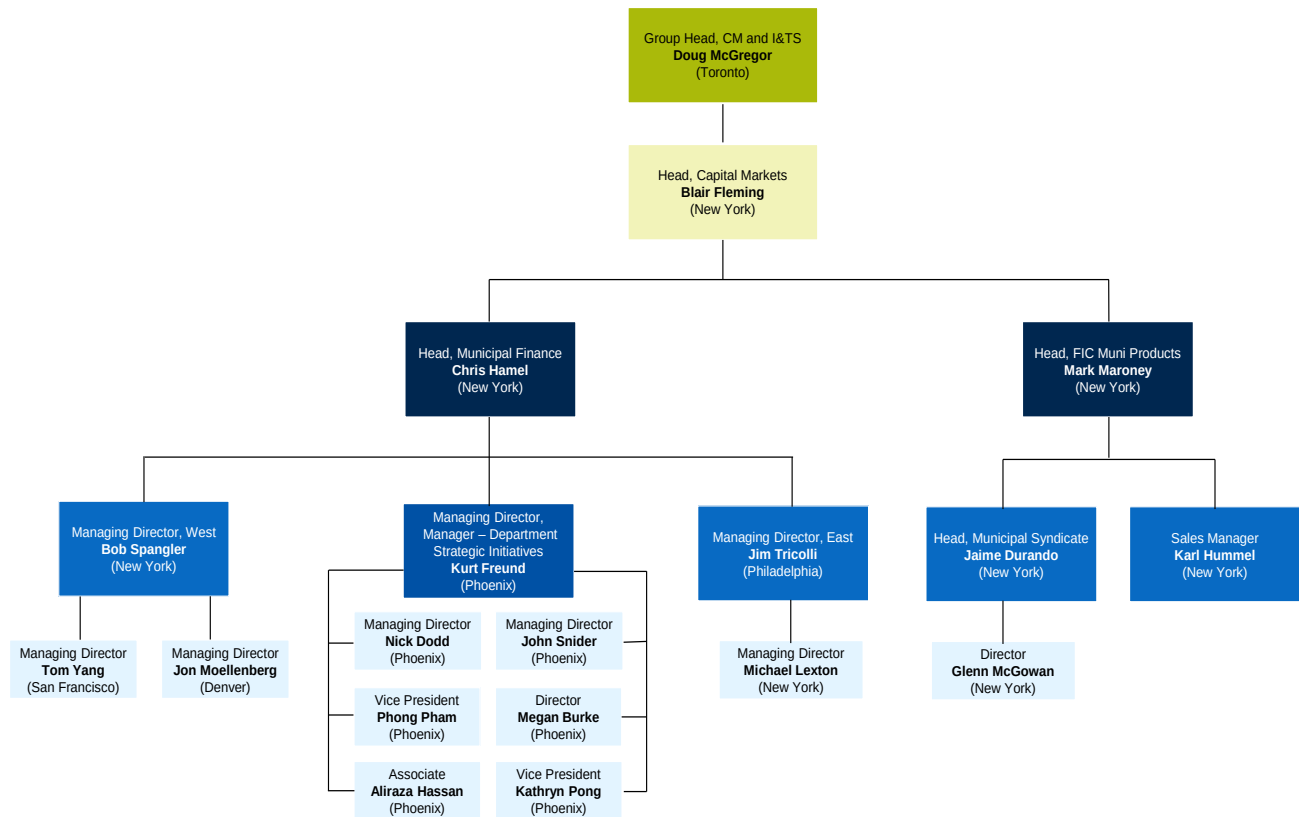
Mr. Christopher Mauro is responsible for research coverage of the municipal bond market for the firm. He joined RBC in October 2009 after spending five years as a Director and Senior Underwriter at Financial Guaranty Insurance Company where he was responsible for both public and project finance transactions. Prior to FGIC, Mr. Mauro spent nearly 20 years at Merrill Lynch, first in its Fixed Income Research Department, where he functioned as the primary municipal revenue bond analyst for the firm, and later as a Director in its Corporate Finance Ratings

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Advisory Service, where he provided full range of credit advisory services to corporate and public sector debt issuing clients. Mr. Mauro began his career with Moody's Investor's Service as an analyst in the Public Finance Department.

Mr. Mauro earned his MBA at Rutgers University and has a BS in Finance from Arizona State University. He is currently registered with FINRA with Series 7 and 63 securities licenses. Mr. Mauro is also a Chartered Financial Analyst.

Below is the firm's organizational chart for the core team:



Question 6: Describe any staffing, organizational or ownership changes which the firm and, in particular, the municipal finance department has undergone in the past year. Disclose any additional changes that are expected to occur in the next twelve months.

Offeror Response:

RBCCM continues to make significant investments in its municipal markets capabilities in order to meet the unique and challenging capital raising needs of public sector organizations like the State. **RBCCM's Municipal Markets Group represents one of the largest commitments to public finance in the nation.** Our municipal markets group employs over 340 people in 28 cities across the U.S., including Phoenix, and represents one of the larger commitments to municipal securities in the nation. The size, breadth and expertise of our public finance business has matured over the past 75 years, over which time we have provided financing assistance to thousands of governmental and nonprofit clients and underwritten tens of thousands of bond issues. Our national footprint includes long-term clients who have utilized the Firm's services for decades, as well as many new ones in search of stability and commitment in a shifting banking environment.

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Consistent with the Department's long-range strategic plan, we continue to actively recruit to enhance our professional staff. This continued enhancement of the expertise and services we provide reflects RBC Capital Markets' commitment to the municipal finance market. The firm's Arizona public finance office employs eight professional staff members and a support staff of two individuals, making it the larger public finance operations in the State.

We intend to continue this strategy over the next twelve months. In addition, we are not aware of any changes taking place in the next twelve months that could negatively affect RBCCM's ability to service the State's account to the fullest extent possible.

Question 7: Describe any claims, disputes, litigation, investigations or actions pending or threatened against the firm or any individuals associated with the firm by the United States Securities and Exchange Commission, other Federal agency, or any other regulatory body or court(local, state, or federal) or other state agencies regarding the conduct of your firm or its management since July 2013. Could any of these directly or indirectly affect your role as a managing underwriter?

Offeror Response:

RBCCM is an indirect, wholly-owned subsidiary of Royal Bank of Canada, a large global institution subject to many different legal and regulatory requirements in the United States, Canada and other jurisdictions. Our response to this question is limited to matters involving the Municipal Markets business of RBCCM, the broker-dealer through which we conduct our municipal underwriting and financial advisory activities. From time to time, certain of RBCCM's regulators may conduct investigations, initiate enforcement proceedings and/or enter into settlements with RBCCM with respect to issues raised in various investigations. Similarly, RBCCM is a defendant or respondent in various litigations and arbitrations that arise in the ordinary course of business. RBCCM complies fully with its regulators in all investigations and in all settlements RBCCM reaches. The Financial Industry Regulatory Authority ("FINRA"), in furtherance of its responsibilities as the securities industry's self-regulatory organization pursuant to Section 15A(i) of the Securities Exchange Act of 1934, maintains a public database on registered broker-dealers and their associated persons known as BrokerCheck (<http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/>). The information made available through BrokerCheck is derived from the Central Registration Depository (CRD®), the securities industry online registration and licensing database. Information in CRD is obtained through forms that broker-dealers, their associated persons and regulators complete as part of the securities industry registration and licensing process, and to comply with comprehensive disclosure obligations imposed by FINRA and other regulators. RBCCM generally discloses investigations, proceedings, litigations, arbitrations, or settlements as required through CRD. To the extent material to the financial results of Royal Bank of Canada, any investigation, proceeding, litigation, arbitration, or settlement involving RBCCM also is disclosed in Royal Bank of Canada's financial statements, which may be obtained by visiting www.rbc.com/investorrelations/.

We are not aware of any claims, disputes, litigation, investigations or actions that will believe would either directly or indirectly adversely affect our role as a managing underwriter to the State.

Question 8: Briefly detail any organizational or operational changes your firm has undertaken since July 2013, including any acquisitions or mergers, any divestitures of significant operating components or other significant changes that have been completed or are contemplated.

Offeror Response:

As mentioned in our response to Question 6, RBCCM's municipal finance team grew coming out of the last recession while other firms remained stagnant or declined. While many firms downsized or eliminated completely their municipal finance departments during that period, RBCCM invested heavily in the expansion of its municipal markets capabilities following 2008. Staffing in RBC's Municipal Bond Department has grown roughly 250% over the last 10 years. With a total 2016 headcount of over 340 individuals, we have one of the largest commitments to the municipal market of any firm. A significant component of our growth over that time period involved hiring bankers, traders, institutional sales professionals, research analysts and underwriters who have substantial experience. We are strategically structured to provide issuers with top level service in the market by investing in a staff with a wealth of

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experience across numerous municipal sectors and skills. This means we can meet all of the State's needs and we are in a strong position to handle an evolving industry.

Additionally, RBCCM's retail distribution capabilities have been further enhanced by our recent acquisition of City National Bank, which has been ranked by Barron's as a top-40 U.S. asset manager for 14 consecutive years. City National has \$60.8 billion assets under management and serves 340,000 households in 75 branch offices. City National employs approximately 3,600 professionals, growing our retail sales force by over 200% in terms of headcount.

Question 9: Fill in the table below regarding financial performance. Reminder, mark "Confident" if the information is not to be disclosed to the public.

THE FIRM'S PERFORMANCE	LAST THREE CALENDAR YEARS/FISCAL YEARS		
	2014	2015	2016
1. Total net capital – year end: (\$000)	\$1,198,350	\$1,521,593	\$2,030,193
Excess Net Capital*	\$1,044,489	\$1,312,631	\$1,797,338
% of Total Operating Revenues provided by Municipal Finance Operations	5.7%	6.7%	7.7%

*Based on SEC regulations for uniform reporting

Question 10: Fill in the table below regarding staff and offices. Reminder, mark "Confidential" if the information is not disclosed to the public

LOCATION	Registered Representatives*		Public Finance	
	Retail Brokers	Institutional Brokers	Professionals	Support Staff
Nationwide	1,750	39	283	25
Arizona	46	0	8	2

Arizona Office Locations:

Phoenix, Scottsdale, Peoria and Tucson.

*Employees are to be listed in one category only.

PART 4 of the Solicitation Documents:
Offer Forms (Attachments)

Attachment 2-A
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EXPERIENCE REFERENCES:

1	Client Company/Address	Contact	Begin Date	End Date
	Pima County, Arizona / 130 West Congress, 6th Floor, Tucson, AZ 85701	Tom Burke	1/1/1990	Present
	Phone Number	Email Address		
	(520) 724-3030	Tom.Burke@pima.gov		
RBCCM has served as the senior manager on all underwritings undertaken by Pima County since 1990, which has included many different security types of debt issues including revenue bond financings of various types as well as Certificate of Participation financings.				
Services performed similar to those described in Solicitation The services provided by RBCCM have included all of the services outlined in the State's scope of services section of the RFP.				
2	Client Company/Address	Contact	Begin Date	End Date
	Texas Department of Transportation / 125 E. 11th Street, Austin, TX 78701	Jennifer Wright	8/1/2016	10/31/2016
	Phone Number	Email Address		
	(512) 463-8946	Jennifer.Wright@txdot.gov		
RBCCM has served as both a senior managing underwriter and as a co-managing underwriter to the Texas Department of Transportation.				
Services performed similar to those described in Solicitation The services provided by RBCCM have included all of the services outlined in the State's scope of services section of the RFP.				
3	Client Company/Address	Contact	Begin Date	End Date
	State Public Works Board of the State of California / 915 Capitol Mall, Room 261, Sacramento, CA 95814	Tiffany Connelly	2/8/2017	4/20/2017
	Phone Number	Email Address		
	(916) 651-6584	tconnelly@treasurer.ca.gov		
RBCCM has served as both a senior managing underwriter and as a co-managing underwriter to the State Public Works Board of the State of California.				
Services performed similar to those described in Solicitation The services provided by RBCCM have included all of the services outlined in the State's scope of services section of the RFP.				

End of Attachment 2-A

PART 4 of the Solicitation Documents:
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Attachment 3-A
Method Proposal
(Method of Approach)

Question 1: Provide a brief description of the Offeror's expertise in marketing transportation-related and other bond issues relevant to the Agencies. Specifically detail the recent, excise tax bond issues, grant anticipation notes, revenue bonds, Certificate of Participations(COP) and State Revolving Fund bonds of similar magnitude and character to the proposed bond issues. Include only transactions underwritten by the Offeror.

Offeror Response:

Summarized below is RBCCM's senior managed experience for excise tax bond issues, grant anticipation notes, revenue bonds, certificate of participations and state revolving fund bonds during the past three years. A detailed list of all transactions can be provided upon the State's request.

	2015		2016		2017YTD		Total	
	Par (\$mils)	# of Issues	Par (\$mils)	# of Issues	Par (\$mils)	# of Issues	Par (\$mils)	# of Issues
Excise Tax Bond Issues	\$1,931.9	10	\$864.9	10	\$1,340.3	6	\$4,137.1	26
Grant Anticipation Note Issues	-	-	22.5	1	-	-	22.5	1
Revenue Bond Issues	16,328.9	241	17,248.0	262	7,693.9	85	41,270.8	588
Certificate of Participation Issues	493.4	24	406.9	16	28.4	2	928.7	42
State Revolving Fund Issues	707.9	12	296.4	2	140.2	4	1,144.5	18
TOTAL	\$19,462.1	287	\$18,838.7	291	\$9,202.8	97	\$47,503.6	675

General Underwriting Expertise

RBCCM's expertise in marketing all types of tax-exempt and taxable obligations, including various types of revenue bonds as well as annually-appropriated certificates of participation, is evidenced by the volume and number of issues that RBCCM underwrites each year, and particularly in Arizona. Despite the fact that we act as financial advisor to many of the State's largest issuers (where we are precluded from concurrently providing underwriting services), we are still consistently ranked among the top several firms serving as senior managing underwriter in Arizona annually. Since January 2010, RBCCM has senior managed almost \$9 billion of tax-exempt bond issues in Arizona, representing 230 separate series of bonds or securities.

RBCCM has extensive experience with issuers both nationwide and in Arizona that have major capital programs requiring large and frequent debt issues. In that capacity, we have served as senior, co-senior and co-manager on numerous high profile issues that have come to market in the last decade. Specifically in Arizona, RBCCM has extensive experience in the structuring, marketing and sales of state-level debt issues, both as a senior manager and as a financial advisor. Included among these financings, are many large debt offerings for various agencies of the State and for local political subdivisions, many of which are relevant and similar to the underwriting of State debt

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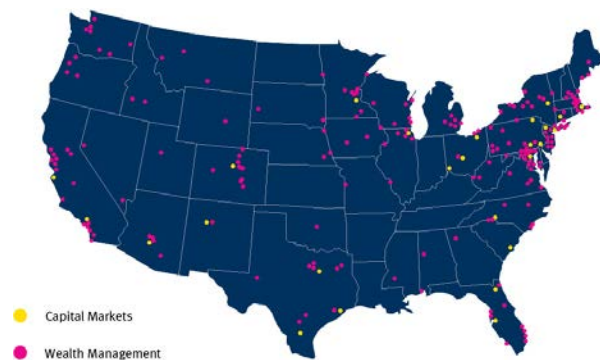
issues. As stated in Question 1 of this proposal, our underwriting experience is significant given our historical role as financial advisor to many state-level issuers where we are restricted from underwriting.

RBCCM's Domestic Distribution Channels

The municipal banking, underwriting, and distribution resources of RBCCM represent one of the largest and most diverse teams of capital markets professionals in the industry. We provide complete coverage for investors in both taxable and tax-exempt bonds and have an extensive, multi-tiered institutional and retail distribution platform. As detailed below, our targeted approach to the successful distribution of municipal securities involves deploying the key aspects of our extensive network of sales professionals, which includes:

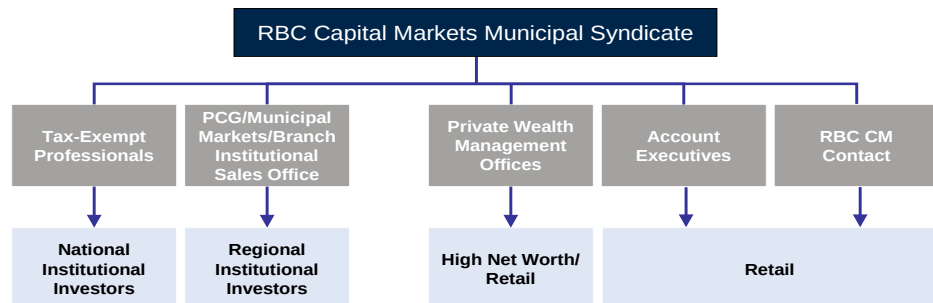
- 61 municipal markets sales, trading, and underwriting professionals in 28 office locations across the country;
- 19 dedicated institutional municipal salespeople and 27 institutional and retail traders and underwriters;
- 5 professionals specializing in the sales, trading and underwriting of short-term notes and variable rate bonds, including administering a multi-billion remarketing portfolio;
- 187 retail offices in 45 states and four territories, with almost 772,000 accounts and \$213 billion of assets under administration.

RBCCM's Capital Markets and Wealth Management Locations



Tax-Exempt Distribution Capabilities

RBCCM has one of the largest tax-exempt distribution networks in the nation. RBCCM's institutional sales and trading professionals cover the full spectrum of retail and institutional purchasers of municipal bond funds, savings and loans, insurance companies, bank portfolios and trust departments, mid to large-sized corporations, municipalities, retail and high net worth individuals. Our U.S. bond distribution capabilities have increased over the last three years, driven by continued recruitment of new retail brokers to our wealth management platform, acquisitions and RBC's strategic decision to devote increased corporate resources to growth in asset management. The continued expansion of RBCCM's bond distribution capabilities have served the our underwriting clients by (a) generating larger and more diverse account participation on senior managed issues that facilitates the competition that can drive yields lower, (b) providing access to less spread sensitive mid-tier institutions and professional retail investors who can be the key to obtaining lower credit spreads and (c) increasing access to high net worth retail investors.



Tier I Institutional Investors – RBCCM's sales and trading hubs in New York City, Chicago, Dallas, Minneapolis and San Francisco are strategically located to ensure our sales force has direct access to the major institutional buyers of taxable and tax-exempt securities. In order to ensure optimal marketing and distribution performance in today's ever changing economic environment, our targeted approach to the successful distribution of municipal bonds involves the deployment of key aspects of our extensive domestic distribution network.

Tier II & III Middle Market Investors – One of RBCCM's key drivers for superior marketing is our ability to obtain superior diversification amongst investors to prevent a few large institutional buyers from dictating pricing levels.

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RBCCM's roots as a regionally based broker-dealer allow us to maintain accounts with a base of small to mid-sized institutions. These middle market buyers that comprise our Tier II and Tier III institutional base are more likely to accept lower yields, increasing pricing flexibility.

Taxable Distribution Capabilities

RBCCM also offers the State a comprehensive global distribution network to sell any taxable municipal securities. We are one of the few firms that dedicate a full time trader/underwriter to the taxable municipal market, and we maintain a large inventory of taxable municipal securities. The universe of buyers for taxable bonds and debt obligations includes the traditional domestic corporate bond investor base of pension funds, money managers, sovereign wealth funds, insurance companies, direct bank facilities, local government investment pools, real estate investment trusts and mutual funds. RBCCM promotes strong relationships with not only the aforementioned traditional buyers, but also with international buyers through our globally integrated fixed income platforms.

RBCCM offers the State one of the world's largest fixed income platforms for taxable debt given the Royal Bank's homebase in Canada, where even provincial bonds are taxable issuances. We are an integrated global investment banking firm with a sales and trading presence in virtually every major financial center worldwide. Outside of the U.S., we have 196 fixed income institutional sales people and 31 traders. Our international sales professionals cover an institutional investor base of over 3,000 major accounts in 60 different countries. RBCCM comprehensively covers the taxable municipal market and has active traders and underwriters in this space. As an example of our taxable capabilities, RBCCM executed a very successful marketing effort and sale as Coordinating Senior Bookrunner for the \$2 billion Port Authority of New York and New Jersey taxable World Trade Center financing in 2012. More recently, on an Indiana Finance Authority Taxable Transaction, RBCCM, as Co-Senior Manager, introduced over \$175 million of orders on a \$136 million transaction, reflecting RBCCM's strong relationships with middle market taxable buyers.

Question 2: Provide a summary (total par amount and number of transactions per year) and detailed list of the fixed rate debt transactions of \$200 million or more in par amount that your firm has underwritten as senior manager in the current or prior calendar year. Separately provide a summary and list of the fixed rate debt transactions issued by state-level transportation agencies that your firm has underwritten as senior manager in the current and past two calendar years.

Offeror Response:

Summarized below is RBCCM's experience in the last two years as senior manager on issues of \$200 million or greater, as well as our experience for state-level transportation agencies. We have also included similar information for all transportation financings senior managed during this period.

Year	Greater than \$200 Million Par Amount Issues		State-Level Transportation Issues		Senior Managed Transportation Issues		Total	
	Par (\$mils)	# of Issues	Par (\$mils)	# of Issues	Par (\$mils)	# of Issues	Par (\$mils)	# of Issues
2017YTD	\$6,664.2	19	\$700.0	2	\$1,028.3	12	\$8,392.5	33
2016	10,214.0	27	2,136.8	7	2,395.1	29	14,745.9	63
2015	11,526.2	26	4,459.2	8	4,837.1	21	20,822.5	55
Total	\$28,404.4	72	\$7,296.0	17	\$8,260.5	62	\$43,960.9	151

A detailed list of all fixed rate debt transactions of \$200 million or more and fixed rate debt transactions issued by state-level transportation agencies that RBCCM have underwritten as senior manager in the current and prior calendar year are included on the following page.

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RBCCM Senior Managed Fixed Rate Transactions with Par Amount Greater than \$200 Million since January 2016								
Sale Date	Par Amount (\$ Millions)	State	Issuer	Series	Issue Description	Security Type	Tax Status	Bid
06/06/17	\$522.135	DC	Metro Washington Airports Auth	Series 2017 A	Airport Sys Rev & Refunding Bonds	RV	AMT	N
05/17/17	237.835	NC	North Carolina Housing Fin Agcy	Series 38-B	Home Ownership Revenue Bonds	RV	Tax-Exempt	N
05/17/17	206.445	TX	Collin Co (Frisco) ISD	Series 2017	Unltd Tax School Bldg & Ref Bonds	GO	Tax-Exempt	N
05/11/17	284.820	NY	NYS Dorm Authority	Series 2017 A-D	School Dts RevFin Prog Bonds	RV	Tax-Exempt	N
04/21/17	288.080	TX	Houston City-Texas	Series 2017 B	Comb Util 1st Lien Rev Ref Bonds	RV	Tax-Exempt	N
04/12/17	800.000	NY	NYC Transitional Finance Auth	2017 Ser Subser E-1	Future Tax Secured Sub Bonds	RV	Tax-Exempt	N
04/11/17	234.210	NY	NYC Transitional Finance Auth	2017 Ser Subser E-2	Future Tax Secured Sub Bonds	RV	Taxable	C
04/06/17	377.610	CA	California St Public Works Board	2017 Series B	Lease Revenue Refunding Bonds	RV	Tax-Exempt	N
04/04/17	209.075	CA	San Joaquin Co Transpo Auth	Series 2017	Limited Tax Sales Rev Ref Bonds	RV	Tax-Exempt	N
03/14/17	400.000	OH	Ohio Water Development Authority	Series 2017 A	Wtr Poll Ctrl Loan Fund Rev Bonds	RV	Tax-Exempt	N
03/09/17	280.000	CA	Coast Community College Dt	Series 2017 D	General Obligation Bonds	GO	Tax-Exempt	N
02/08/17	490.000	NY	Metropolitan Transport Auth (MTA)	Series 2017 A-1 & 2	Transportation Revenue BANS	GO	Tax-Exempt	C
02/08/17	210.000	NY	Metropolitan Transport Auth (MTA)	Subser 2017 A-1 & 2	Transportation Revenue BANS	GO	Tax-Exempt	C
01/25/17	262.865	PA	Philadelphia City-Pennsylvania	Series 2017	GO Refunding Bonds	GO	Tax-Exempt	N
01/18/17	500.000	CA	Los Angeles Dept of Wtr & Power	2017 Series A	Power System Revenue Bonds	RV	Tax-Exempt	N
01/18/17	466.675	CO	Denver City and Co SD #1	Series 2017	General Obligation Bonds	GO	Tax-Exempt	N
01/10/17	239.645	PA	Pennsylvania Housing Fin Agency	Series 2017-122	Single Family Mortgage Rev Bonds	RV	Tax-Exempt	N
01/10/17	203.665	CO	Arapahoe Co (Aurora) JSD #28J	Series 2017 A & B	GO & Refunding Bonds	GO	Tax-Exempt	N
01/05/17	451.170	CA	Los Angeles Dept of Airports	2016 Series B	Subordinate Revenue Bonds	RV	AMT	N
12/06/16	207.250	MN	Minneapolis-St Paul Metro Airports Comm	Series 2016 C	Senior Airport Revenue Bonds	RV	Tax-Exempt	N
11/17/16	256.810	CO	Denver City and Co-Colorado	Series 2016 A	Airport System Revenue Bonds	RV	Tax-Exempt	N
11/15/16	226.410	CA	Los Angeles Dept of Airports	2016 Series C	Senior Refunding Revenue Bonds	RV	Taxable	N
10/19/16	626.035	CA	San Diego Community College Dt	2016 Series	GO & Refunding Bonds	GO	Tax-Exempt	N
10/07/16	1,119.385	NY	NYS Dorm Authority	Series 2016 D	State Personal Inc Tax Rev Bonds	RV	Tax-Exempt	N
10/06/16	601.210	TX	Texas Transportation Commission	Series 2016-A	St Highway Fund 1st Tier Bonds	RV	Tax-Exempt	N
09/23/16	250.375	IN	Indiana Finance Authority	Series 2016 D & E	State Revolving Fund Prog Bonds	RV	Tax-Exempt	N
09/20/16	239.390	PA	Pennsylvania Econ Dev Fin Auth	Series 2016	Revenue Bonds	RV	Tax-Exempt	N
09/19/16	209.530	OH	American Municipal Power Inc	Series 2016 A	Revenue Bonds	RV	Tax-Exempt	N
09/14/16	226.795	LA	Louisiana Public Facs Auth (LPFA)	Series 2016 A	Lease Revenue Bonds	RV	Tax-Exempt	N
08/11/16	469.320	NY	NYS Utility Debt Securitization Auth	Series 2016 B	Restructuring Bonds	RV	Tax-Exempt	N
08/03/16	324.035	OH	Hamilton Co-Ohio	Series 2016 A	Sales Tax Refunding Bonds	RV	Tax-Exempt	N
07/29/16	370.850	WI	Wisconsin	2016 Series 2	GO Refunding Bonds	GO	Tax-Exempt	N
07/21/16	392.025	CO	Aurora City-Colorado	Series 2016	1st Lien Water Ref Revenue Bonds	RV	Tax-Exempt	N
07/19/16	600.000	CO	Colorado	Series 2016 A	General Fund TRANS	GO	Tax-Exempt	C
06/24/16	350.155	TX	Bexar Co-Texas	Series 2016	Ltd Tax & Flood Control Ref Bonds	GO	Tax-Exempt	N
06/22/16	214.265	PA	Pennsylvania Housing Fin Agency	Series 2016-120	Single Family Mortgage Rev Bonds	RV	Tax-Exempt	N
06/16/16	350.000	NY	Metropolitan Transport Auth (MTA)	Ser 16 A Subser A 2	BANS	GO	Tax-Exempt	C
06/16/16	350.000	NY	Metropolitan Transport Auth (MTA)	Ser 16 A Subser A 1	BANS	GO	Tax-Exempt	C
06/07/16	211.595	AZ	Pima Co-Arizona	Series 2016	Sewer System Rev Ref Obligations	RV	Tax-Exempt	N
05/25/16	340.000	MA	Massachusetts Education Fin Auth	Issue J Series 2016	Education Loan Revenue Bonds	RV	AMT	N
05/25/16	340.140	FL	Miami-Dade Co-Florida	Ser 2014-A & 2015-D	General Obligation Bonds	GO	Tax-Exempt	N
05/06/16	259.430	MO	Missouri Hlth & Ed Facs Authority	Series 2016	Health Facilities Revenue Bonds	RV	Tax-Exempt	N
05/04/16	216.665	NY	NYS Dorm Authority	Series 2016 A-D	School Districts Revenue Bonds	RV	Tax-Exempt	N
03/22/16	325.575	TX	Texas A&M University System	Series 2016 B	Revenue Financing System Bonds	RV	Taxable	N
03/22/16	500.000	NY	Metropolitan Transport Auth (MTA)	Series 2016 A-1	Transportation Revenue BANS	GO	Tax-Exempt	C
03/02/16	636.770	NY	NYS Utility Debt Securitization Auth	Series 2016 A	Restructuring Bonds	RV	Tax-Exempt	N
Total	\$16,878.245							

RBCCM Senior Managed Fixed Rate Transactions Issued by State-Level Transportation Agencies since January 2015								
Sale Date	Par Amount (\$ Millions)	State	Issuer	Series	Issue Description	Security Type	Tax Status	Bid
02/08/17	\$490.000	NY	Metropolitan Transport Auth (MTA)	Series 2017 A-1 & 2	Transportation Revenue BANS	GO	Tax-Exempt	C
02/08/17	210.000	NY	Metropolitan Transport Auth (MTA)	Subser 2017 A-1 & 2	Transportation Revenue BANS	GO	Tax-Exempt	C
10/06/16	601.210	TX	Texas Transportation Commission	Series 2016-A	St Highway Fund 1st Tier Bonds	RV	Tax-Exempt	N
06/16/16	350.000	NY	Metropolitan Transport Auth (MTA)	Ser 16 A Subser A 2	BANS	GO	Tax-Exempt	C
06/16/16	350.000	NY	Metropolitan Transport Auth (MTA)	Ser 16 A Subser A 1	BANS	GO	Tax-Exempt	C
06/14/16	162.235	MD	Maryland Eco Dev Corp (MEDCO)	Series 2016 D	Private Activity Revenue Bonds	RV	AMT	N
06/14/16	150.800	MD	Maryland Eco Dev Corp (MEDCO)	Series 2016 A-C	Private Activity Revenue Bonds	RV	AMT	N
03/22/16	500.000	NY	Metropolitan Transport Auth (MTA)	Series 2016 A-1	Transportation Revenue BANS	GO	Tax-Exempt	C
03/16/16	22.540	MT	Montana Dept of Transportation	Series 2016	Refunding GANS	GO	Tax-Exempt	N
12/08/15	333.060	IL	Illinois State Toll Highway Auth	2016 Series A	Toll Highway Senior Rev Ref Bonds	RV	Tax-Exempt	N
12/01/15	304.005	PA	Pennsylvania Turnpike Commission	Series B of 2015	Turnpike Revenue Bonds	RV	Tax-Exempt	N
11/17/15	626.800	NJ	New Jersey Trans Trust Fund Au	2015 Series AA	Transportation Program Bonds	RV	Tax-Exempt	N
10/02/15	839.770	CT	Connecticut	Series 2015 A & B	Special Tax Oblig & Ref Bonds	RV	Tax-Exempt	N
09/09/15	500.000	NY	Metropolitan Transport Auth (MTA)	Series 2015 A 1-8	Dedicated Tax Fund BANS	GO	Tax-Exempt	C
07/23/15	1,523.100	NY	NYS Dorm Authority	Series 2015 A	Sales Tax Revenue Bonds	RV	Tax-Exempt	N
03/17/15	86.505	PA	Delaware River Jt Toll Bridge Comm	Series 2015	Bridge Sys Rev Refunding Bonds	RV	Tax-Exempt	N
03/17/15	245.955	PR	Puerto Rico Infrastruct Fin Au	Series 2015	Dedicated Tax Fund Revenue BANS	GO	Tax-Exempt	P
Total	\$7,295.980							

PART 4 of the Solicitation Documents:
Offer Forms (Attachments)

Attachment 3-A
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RBCCM has significant underwriting experience with respect to transportation revenue bond transactions. In the past five years, RBCCM has senior managed 109 surface transportation financings totaling \$10.2 billion in par. Also, we have served as co-manager on an additional 182 surface transportation financings totaling \$71.2 billion. In addition to our work as financial advisor to ADOT, our surface transportation experience as senior manager and financial advisor include the following:

- Pima County, Arizona, Highway Revenue Bonds
- Colorado Department of Transportation
- Chicago Transit Authority
- Maryland Economic Development Corp.
- Oklahoma Department of Transportation
- Illinois State Toll Highway Authority
- New York State Thruway Authority
- North Texas Tollway Authority (FA)
- Northwest Parkway (FA)
- Metropolitan Transportation Authority
- Pennsylvania Turnpike Commission
- Texas Department of Transportation

Question 3: Identify three (3) issuers for whom the firm and the proposed key individuals served as a managing underwriter in the last three years for issues of the magnitude and type described in this Solicitation (using Attachment 3, References). Indicate the name of the debt offering, the par amount, the date and sale and your firm's role [Senior or Co-Manager]. Choose two of these issuers and briefly (one to two paragraphs) describe the transaction and your firm's role or value added for the transaction. Include a transportation transaction as one of your two examples.

Offeror Response:

While RBCCM has served as managing underwriter on numerous financings in the last three years, we have enclosed as Attachment 3, References, one of the more active issuers in the State that the RBCCM team has served as a senior manager. As we have been precluded from serving in an underwriting capacity for ADOT transactions given our role as financial advisor, we have included a case study below for a senior managed transportation financing outside of Arizona.

\$211,595,000 Pima County, Arizona Sewer System Revenue Refunding Obligations, Series 2016



On June 7, 2016, RBC CM senior managed \$211,595,000 of Sewer System Revenue Refunding Obligations, Series 2016 for Pima County, Arizona. Proceeds from the sale of the Series 2016 Bonds were used to refund certain outstanding bonds for debt service savings. In our role as the senior managing underwriter, RBCCM identified the various maturities of the County's outstanding sewer revenue bonds that made economic sense for the County to consider for refunding. Based on that review, we developed a financing timetable for moving forward with the refinancing to take advantage of market conditions. We then worked with the County's staff and outside legal counsel to make sure all of the necessary legal documents were appropriately and correctly prepared. We also served as the primary contact for the County with the bond rating agencies and developed and participated in the discussion outline for that purpose. As the date for pricing the Obligations came closer, we continued to evaluate the savings generated by each maturity of the Bonds Being Refunded as well as the negative arbitrage associated with each maturity to allow the County to select only those maturities that produced the most efficient savings.

Leading up to the pricing, RBCCM undertook an extensive pre-pricing marketing outreach to ensure there would be strong demand for the County's debt offering. As a result, on the day of pricing, the transaction was over 4x times subscribed overall, with the County receiving over \$947 million of orders from bond institutional and retail investors. Because of the strong investor demand, RBCCM was able to further lower yields in select maturities which enabled the County to further reduce its borrowing costs and realize almost \$20 million in debt service savings over the life of the Obligations.

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\$601,200,000 Texas Dept. of Transportation State Highway Fund First Tier Revenue Bonds, Series 2016-A



On October 6, 2016, RBCCM served as Joint-Senior Managing Underwriter on a \$601.2 million tax-exempt issue for the Texas Department of Transportation ("TxDOT") on behalf of the Texas Transportation Commission. The proceeds of these bonds were being used to finance State highway improvement projects and pay costs of issuance. TxDOT is an agency of the State charged with the construction and maintenance of the State's highway system. At the time of the sale, TxDOT had \$19.6 billion of bonds outstanding, issued under five separate

programs to support its mandate.

During the week of pricing, Treasury yields rose across the yield curve due to news that the European Central Bank was considering tapering down its QE purchase program and softer than expected U.S. employment data. Between October 3rd and October 6th, 30-year UST rose 12 bps while 30-year MMD rose 14 bps. Municipal new issue supply was \$13 billion during the week of pricing, marking the second-heaviest weekly supply of the year.

RBCCM led the development of the investor roadshow presentation (watched by 37 investors) for TxDOT and the Series 2016-A and 2016-B Bond syndicates, which highlighted the 2016-A Bond transaction and discussed elements of the diverse State Highway Fund ("SHF") revenues and strong debt service coverage. As a result of RBCCM's strong marketing efforts, the transaction received a total of \$1.1 billion in orders from a variety of money managers and bond funds (38 unique investors) and was 1.9x oversubscribed.

This was the first transaction that RBCCM served as a joint-senior managing underwriter for TxDOT. RBCCM previously served as co-senior manager for TxDOT's \$1,260,000,000 State of Texas Highway Improvement General Obligation Bonds, Series 2014 and RBCCM had also served as co-manager for over \$9.6 billion in par amount for other TxDOT issuers and credits since 2011.

Question 4: Describe your marketing plan regarding the pricing and sale of HURF, RARF and GANs bonds, revenue bonds, including COPs, and State Revolving Fund bonds. Describe your general marketing plan regarding the pricing and sale of bonds, specifying categories of investors your firm would target as potential purchasers. Identify the strategies the firm would implement to broaden the distribution base for the bonds or to improve the Agencies' relations with investors to obtain the lowest possible borrowing cost for the Agencies. Please include in this discussion your firm's thoughts on the ability of the Agencies to sell the issues given size, maturity structure, security, etc., and your thoughts on pursuing any credit enhancements.

Offeror Response:

RBCCM's overriding goal of any marketing plan will be to reach the broadest possible investor base in marketing and selling debt offerings of State issuers. The broader the investor base reached, the greater the demand will be for the State's obligations, with the result being the lowest possible interest rate. In constructing a marketing plan for the State's debt offerings, several factors must be considered, including general market conditions around the time of the sale of the issue, the structure of the transaction and other debt offerings expected to be in the market at or near the marketing of the State's issue. As one of the leading municipal underwriters nationally and a top underwriter of Arizona municipal debt issues, RBCCM is well-positioned to provide the State guidance on these market conditions.

Given that each financing of the State will be unique, we would look to develop a marketing approach specific to the issue being undertaken. In general terms, however, our marketing plan would include the following elements.

- **Create a Broad Distribution Network.** Any one large investment banking firm such as RBCCM could underwrite an entire State issue. With that said, the State generally should consider including additional firms to the underwriting team for its debt issuances, to be complemented on certain financings by a selling group of firms consisting of any firm that has a retail brokerage presence in the State. This approach, coupled with the other sales strategies outlined below, will ensure the most comprehensive sales force is working to sell the State's obligations.
- **Disseminate Marketing Materials Early.** While the Preliminary Official Statement ("POS") for most issues is distributed approximately a week to ten days prior to the sale, we would recommend distribution at least two weeks prior to the scheduled sale date. This will enable all investors to become familiar with the State issuer and

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the security structure for the issue. Early distribution of the POS has become more and more important in recent years as virtually all institutional investors will want to do their own research and analysis of the credit in determining whether to be an active investor in the sale.

- **Create an Institutional Road Show Via the Internet.** An electronic institutional road show conducted via the internet or Bloomberg System is a cost and time-effective alternative to costly in-person presentations across the country. It also allows investors outside the normal road show cities to view the presentation. For certain debt offerings of the State, we would recommend this approach to present the bond financing to institutional investors one to two weeks prior to the pricing date. We would supplement the presentation with one-on-one institutional conference calls to allow for real-time questions and answers.
- **Retail Participation.** As part of our retail marketing effort, we distribute a sales memorandum to all RBCCM registered representatives worldwide. This memorandum specifies the key aspects of the financing and the sales points for retail marketing. In addition to this memorandum, RBCCM maintains an internal, comprehensive website that allows brokers easy and immediate access to the details of the State's upcoming bond issues. This information is posted to the website in advance of the distribution of the POS to ensure full coverage by the sales force. In addition, weekly conference calls are held with underwriting, sales and retail brokers to discuss the upcoming bond calendar and to answer questions. Finally, we would also conduct a retail marketing call available to all RBCCM registered representatives, with particular emphasis on our marketing efforts with retail brokers in Arizona.
- **Retain Structuring Flexibility.** We would recommend that the State maintain a flexible approach to the structuring of any offering up to and during the pricing of the issue. As different types of investors have differing investment preferences, structuring flexibility significantly helps to broaden the investor base. A common example in recent large offerings involves bifurcating maturities to accommodate the differing preferences of retail versus institutional investors. While retail investors tend to prefer obligations priced at or near 100% of the security's face value, institutions often prefer to purchase securities sold at a discount or a premium (mostly at a premium in the current market). Accordingly, dividing the principal due in any one year and applying different coupons and prices to appeal to these two types of buyers is beneficial. An additional example of structuring flexibility includes adjusting the call feature on a select maturity.
- **Establishing Retail Order Period.** For certain debt offerings of the State and depending on market conditions, we may recommend the consideration of a one day retail order period prior to the sale of the bonds to institutional investors. In the right market environment, this approach can result in enhanced distribution to retail investors.
- **Establishing Order Priorities that Encourage Participation.** We would recommend establishing priorities for how orders are filled that encourage participation by all members of the distribution team. Specifically, we would recommend that Arizona retail orders be a first priority, thereby ensuring that any orders from Arizona investors are filled. This also ensures that co-managers and selling group members "work" the issue as retail orders that they submit are likely to be filled. Secondly, we would generally recommend that group orders not have priority. As the sales credit is automatically shared among all members of the management team, we believe such orders do not motivate the management team to go out and sell the issue. We would instead recommend that designated orders, where three or more firms must receive sales credit, have priority.
- **Early and Frequent Communication.** While a large sales force is useful for broadening the potential investor base, it is only effective if that sales force is knowledgeable about the offering on a timely basis. As senior manager, we would take the lead in making sure that the entire distribution team receives regular and timely information concerning the sale. This would include providing updates on the status of the financing, ratings and credit enhancement information as it is received, timing of the sale and the structure and parameters for the sale.

As noted above, RBCCM's marketing plan is designed to insure that the State's obligations are marketed to all segments of the tax-exempt investor market. Our approach to the successful underwriting of our clients' debt offerings involves coordinating all of the firm's resources in order to ensure optimum marketing and distribution performance. Our national fixed income banking practice is supported by an extensive distribution network, with institutional salespeople, traders, underwriters, fixed income strategists and private client investment executives strategically located throughout the United States. As a result, we boast one of the largest domestic securities sales organizations on or off Wall Street.

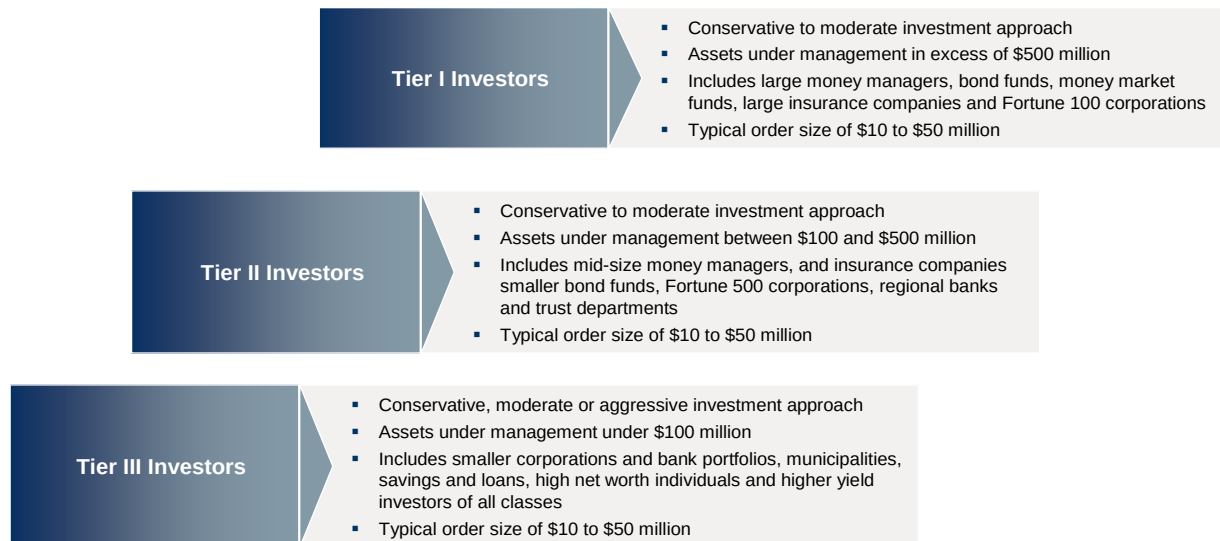
RBCCM is different from many of our competitors in how we cover investors. In addition to providing top-level coverage of Tier I investors, we also cover mid-tier investors. A key to achieving consistent, superior pricing is

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obtaining adequate distribution among a diverse investor base. RBCCM's extensive securities distribution network is one of our key competitive advantages. The firm's sales professionals sell every type of fixed income security, covering a national, multi-tier account base which includes bond funds, money market funds, savings and loans, insurance companies, bank portfolios and trust departments, money managers, large and mid-sized corporations, municipalities and high net worth individuals.

Importantly, our sales professionals cover an account base that consists not only of the large Tier I investor segment, but also of Tier II and Tier III accounts that are more likely to accept lower yields. Our roots as a regionally based broker-dealer make us especially qualified to identify, cultivate and maintain a broad base of small to mid-sized institutions that fall below the radar screens of our competitors. Moreover, our extensive coverage of the major Tier I accounts provides us the opportunity to leverage the demand generated from smaller investors at more aggressive pricing levels against the higher yields that are generally sought by the largest institutions.

This approach, coupled with our recommended marketing plan outlined in this response, will provide the broadest possible distribution effort for the State's financings. Outlined on the next page are the categories of potential investors we would target for any State financing.



Question 5: Describe what distinguishes the ability of your firm from that of your competitors to effectively and aggressively price and market Agency bonds. How will your firm ensure that the Issuers receive the best price for any bonds or debt offering? Describe any specific recommendations to improve the process by which Agencies' bonds are priced and marketed.

Offeror Response:

While RBCCM's qualifications to lead manage the State's prospective transactions may overlap with those of several other national firms who appear similarly capable, RBCCM offers distinct advantages to our clients. These include significant and longstanding commitments to municipal finance (and particularly in Arizona), extensive retail and institutional sales capabilities, significant and recent underwriting experience for similar transactions, top-notch analytical resources, a global presence in the financial markets, access to the capital necessary to underwrite transactions and a complete menu of the products and services most likely to be needed by the State. RBCCM possesses all of those attributes, in addition to a well-earned reputation for providing world-class client service.

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In addition to these capabilities, we are certain of one measure by which we stand alone, and that is financial strength and stability. RBC not only maintained its strong capital position through even the darkest moments of the credit crisis, but also emerged stronger than before, and in the process has become the envy of financial institutions around the globe. As shown in the chart to the right, RBC is among the highest rated banks in the US Municipal Market.

Also, RBCCM's expansion of its municipal markets capabilities since 2008 has led to significant market share growth in both par amount and number of transactions. As shown in the charts below, our market share has almost doubled since 2008, reflecting our strong and growing presence in the municipal market.

US Municipal Market Bank Credit Ratings

	Moody's	Standard & Poor	Fitch
Royal Bank of Canada	Aa3*	AA-	AA
Wells Fargo	Aa2	AA-	AA
J.P. Morgan	Aa3	A+	AA-
Bank of America	A1	A+	A+
Morgan Stanley	A1	A+	A+
Citi	A1	A	A+
Goldman Sachs	A1	A	A+
Barclays	A1	A-	A
Raymond James	Baa2	BBB	NR
Jefferies	Baa3	BBB-	BBB-

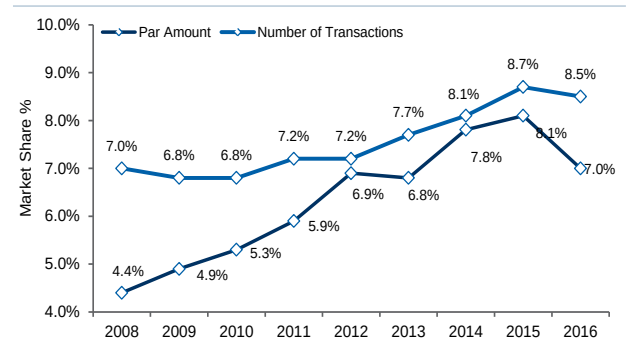
Source: Bloomberg; Bank National Association Ratings

*Reflects Moody's Counterparty Risk Assessment Rating for Canadian Banks

Change in Negotiated Market Share (2008 vs. 2016)

Firm	2008 Neg Mkt Share	2016 Neg Mkt Share	Change in Mkt Share (08 vs. 16)
Stifel Nicolaus & Co Inc	2.0	5.5	3.5
Wells Fargo & Co	3.1	5.8	2.7
RBC Capital Markets	4.4	7.0	2.6
Piper Jaffray & Co	1.9	4.4	2.5
Raymond James	2.9	4.2	1.3
Bank of America Merrill Lynch	14.8	13.8	-1.0
Morgan Stanley	9.2	7.7	-1.5
J P Morgan Securities LLC	10.8	9.2	-1.6
Barclays	6.4	4.7	-1.7
Citi	15.2	10.8	-4.4
Goldman Sachs & Co	8.8	4.8	-4.0

RBCCM Market Share (2008 to 2016)



Why is this important to the State? Quite simply, turbulent markets and challenging economic circumstances require strong, stable financial partners. RBC, which remains the highest rated credit and derivative counterparty operating in the municipal market, can offer the State a track record of strength and stability that is beyond comparison.

Because of our strong capital base and willingness to underwrite bonds on behalf of our clients, RBCCM is able to achieve market level pricing for any bond offering we senior manage. In addition, we believe our "best practices" approach to leading a transaction leads to top of class" result for our clients on virtually all of their debt offerings. This best practice approach includes several elements:

- Establishing financing timetables that build in the necessary time to properly market the debt offering to rating agencies, bond insurers (where applicable) and potential investors.
- Ensuring that the established timetable is met so that sufficient marketing time actually occurs. Too often on financings, this is not the case and the most important aspect, the actual marketing and sale of the bonds, is often rushed to the issuer's detriment.
- Unparalleled expertise in working with rating agencies, bond insurers and investors on explaining and positioning State agency credits. As RBCCM has played a major role in leading the banking effort for years on many Arizona agencies and local government financings, we are able to provide a unique level of service and capability to the State in this regard.
- Preparing investor "road show" presentations for new State credits or for State-level debt issuers during volatile market conditions. This has become more important since the credit crisis as each large institutional investor will be independently analyzing the State's credits instead of simply relying on a rating agency's analysis.
- Creating marketing opportunities for all members of the underwriting syndicate on State-level financings, so that the entire syndicate has the opportunity, and therefore the economic motivation, to sell the State's debt offering.

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Many investment bankers quite simply don't understand the market dynamics of the sales and underwriting side of the business and, as a result, aren't equipped to assist issuers in this area. RBCCM's bankers are well versed in these dynamics and bring that expertise to help ensure successful sales.

Ultimately, the only way for the entire financing team to ensure that the State receives the best effort for any debt offerings is to have a pricing process that is **cooperative, coordinated and transparent**. As a senior managing underwriter, RBCCM will prepare and distribute detailed pre-pricing materials, pricing timetables, market updates, historical financing results, current pricing data for comparable issuances and any other information necessary to ensure that the State and its financial advisor are well-versed in the current market dynamics. Only with this type of detailed information, provided in a historical context, will the State be able to determine whether it received the best execution on its sales.

Question 6: Discuss your firm's bond distribution capabilities, both institutional and retail. Include any significant increases or decreases in the number of employees devoted specifically to distribution in 2013, 2014, 2015 and 2016 (if available) or any planned in the near future. Please describe how these capabilities have served other issuers in that period.

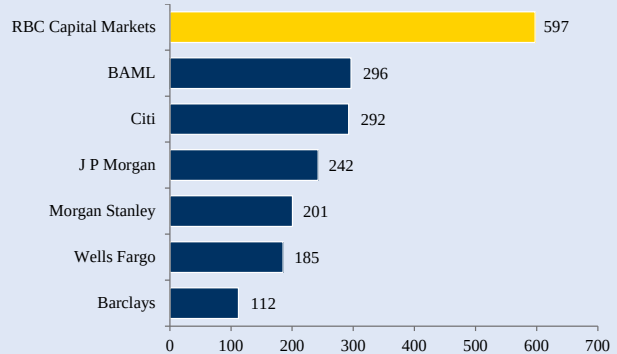
Offeror Response:

Since the credit crisis, the depth and breadth of an underwriter's distribution network has become a more important part of every underwriting process, as well as the strength of a firm's balance sheet and ability to underwrite bonds for the client's benefit. RBCCM is among the top firms in the country in having a true balanced distribution network. **We provide complete coverage of all investor classes in both taxable and tax-exempt bonds and we employ an extensive, multi-tiered institutional and retail marketing strategy on all major issues.** Over the last several years, we have opted to maintain a sizable sales force by design, and we have enhanced our trading and institutional sales staff with major hires from Citi, JP Morgan, UBS, and Morgan Stanley. The number of employees specifically devoted to distribution has remained fairly stable over the past few years, consistent with our municipal market strategy. In addition, we are not aware of any changes taking place in the near future that could negatively affect RBCCM's ability to service the State's account to the fullest extent possible.



RBC Competitive Advantage – Superior Market Intelligence.

RBCCM brings a high level of market intelligence to a negotiated pricing by leveraging our competitive advantage of being the leader in number of negotiated issues annually among the top underwriters. As shown in the **table to the right**, of the top negotiated underwriters in the municipal finance industry, RBCCM is in the market more frequently by far, averaging 500+ deals per year. As a result of senior managing 10 to 12 issues per week on average, RBCCM has a unique "feel" for the market on any given day regarding specific investor preferences. RBCCM combines this market knowledge and access to Tier II and III investors with a comprehensive investor outreach effort, to leverage investor demand and seek the lowest possible yields at the time of pricing.



Source: Securities Data Corporation

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Institutional Distribution. RBCCM provides complete coverage of a national account base which includes bond funds, pension funds, arbitrage accounts, hedge funds, insurance companies, corporations, investment advisors and high net worth individuals. Our institutional distribution platform includes municipal sales and trading hubs in New York, Philadelphia, Boston, Dallas, Nashville, Chicago, Minneapolis, and San Francisco. In order to ensure optimal marketing and distribution performance, our targeted approach to the successful distribution of municipal bonds involves the deployment of key aspects of our extensive domestic distribution network:

- 61 fixed income institutional salespeople covering Tier I, II, and III tax-exempt and taxable investors – this group is the core component of our distribution system and is among the largest institutional salesforces in the municipal bond industry;
- 28 municipal traders and underwriters, providing a superior depth of market intelligence and secondary trading support; and
- 5 professionals who specialize solely in the distribution of short-term bonds, including administering a \$12.96 billion remarketing portfolio covering 411 separate issues.

Retail Distribution. Complementing our institutional distribution platform is the robust retail network of RBCWM, including City National Bank, which RBC acquired in 2015. RBCCM has a team of nine retail traders dedicated to the RBC Wealth Management retail network of over 1,800 financial advisors who operate in 40 states through 206 offices and approximately 331 City National brokers in 75 offices. RBCCM currently has \$205.3 billion in assets under management, of which \$30.1 billion, or 14.7% of total assets, are composed of municipal debt. These traders are responsible for facilitating the purchase and sale of tax-exempt and taxable municipal securities with all of our retail customers. On average, they're holding over 1,000 individual securities daily in an effort to provide liquidity to our retail clients.

RBCCM and RBCWM presently maintain four offices in the State of Arizona including locations in the following cities: Phoenix, Scottsdale, Peoria and Tucson. These offices are a vital part of our ability to market municipal issues to individual investors. These offices house 46 financial consultants, who service approximately 22,000 retail accounts in Arizona, comprising approximately \$6.3 billion of assets under management – of which \$692 million are municipal assets.

RBCCM has leveraged its local presence in the past to successfully lead transactions for issuers in the State. By way of example, in May 2016, RBCCM served as Senior Manager to the City of Tempe on their \$100,070,000 General Obligation Bonds, Series 2016A and 2016B issuance. Similarly, in June 2016, RBCCM served as Senior Manager to Pima County, Arizona on their \$211,595,000 Sewer System Revenue Refunding Obligations issue.

RBCCM's 700 Person NYC Trading Floor



RBC Retail Statistics

	National	Arizona
Municipal Retail Traders	9	-
Total Accounts	751,444	22,318
Total Assets Under Management (\$ billion)	\$205.30	\$6.32
Muni Account Assets (\$ billion)	\$30.10	\$691.94
Muni Assets as % of Total Assets	14.66%	10.95%
Number of Offices	206	4
Financial Consultants	1,839	42

Question 7: Provide any recommendations for additional features, services, strategies, ideas, or innovations which could benefit the State or it's agencies.

Offeror Response:

RBC Capital Markets has a long history of developing innovative solutions that are of benefit to our clients. In certain cases, these innovations take the form of improvements to the process or approach that we and our clients use to access the capital debt markets and, in doing so, provide a more efficient and/or less costly way of achieving the client's goals. In other cases, the innovations we develop are designed to meet specific needs of our clients by creating new financing programs or unique debt structures.

By way of example, RBCCM recently developed and assisted in the creation of a new debt enhancement program for the State to promote lower cost school financing in Arizona. Given the firm's unique knowledge and expertise, the Governor's office reached out to RBCCM to request our assistance in developing a program to lower the cost of debt

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financings by public charter schools and public school districts in the State. This was part of a major education initiative of the Governor to support the growth and development of high achieving K-12 schools in lower income areas in the State. To address this need and the Governor's goals, RBCCM developed several innovative financing approaches to enhance the credit quality of locally issued school bonds, thereby lowering the financing costs. Ultimately, the Governor's office selected one of the approaches that RBCCM developed, which concept was then turned into legislation that successfully passed and created the Arizona School Credit Enhancement Board and Program.

The Enhancement Program entailed establishing a Credit Enhancement Fund at the State level that is funded from \$20 million of previously appropriated monies of the State plus an \$80 million investment of monies by the State Treasurer in Program Funding Obligations issued by the Enhancement Board. Based on this structure and the various financing covenants that RBCCM developed, the State would be able to leverage monies in the Enhancement Fund to support the timely payment of principal and interest on up to \$350 million of new capital financing for school construction purposes. Using this financing approach, RBCCM was also able to negotiate an "AA-" rating from Standard & Poor's for any debt issued that was guaranteed by the Program. As the AA- rating is far greater than the typically rating for public charter schools and certain public district schools, the schools are able to achieve significant debt service savings which not only enhances the ability to complete the financing to construct new schools in the first place, but also allows for additional school facilities to be built due to the realized savings.

Reflecting the public policy importance of this Program, the School Credit Enhancement Board is comprised of the Governor, the State Treasurer and the Director of the Department of Administration (or their respective designees). The Program recently awarded its first two school financing guarantees, for which the financings have realized significant interest cost savings as planned for the Program and consistent with the Governor's goals.

The School Credit Enhancement Program is but one recent example of the types of innovative financing concepts and approaches that RBCCM is has and will continue to be able to provide to the State and its Agencies. Our ability to provide these kind of innovative approaches and ideas is due to the unique experience and expertise of RBCCM's local Arizona bankers and we are not aware of any other firm that can provide this type and depth of expertise and knowledge to the State's benefit.

Question 8: Disclose (i) any material financial relationships that your firm or any firm employee has with any party or firm that may create a conflict of interest, or the appearance of a conflict of interest, in acting as a managing underwriter.

Offeror Response:

RBC Capital Markets, LLC (and to our knowledge, any employee of RBC Capital Markets, LLC) has no material financial relationships with any party or firm that may create a conflict of interest or the appearance of a conflict of interest in acting as a managing underwriter to the State.

Question 9: Indicate which firm you would generally propose to use as Underwriter's Counsel.

Offeror Response:

RBCCM maintains excellent working relationships with all of the major municipal market lawyers across the country. For transactions for any of the State Agencies, we would generally recommend one of the many recognized firms with offices in Arizona, including Squire Patton Boggs; Greenberg Traurig; Ballard Spahr and Kutak Rock. For any specific transaction, we would recommend a firm from among these choices based on the specific financing, what firm was serving as bond counsel and the knowledge of the proposed underwriter counsel firm regarding the specific financing being undertaken.

End of Attachment 3-A

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Attachment 3-C
Proposed Subcontractors

Check "NO" if you WILL NOT subcontract any portion of the Work and will therefore be carrying out all of the Work with your own personnel.

☒	NO, the Offeror will not subcontract any portion of the Work.
----------------------------------	---

If you WILL subcontract any portion of the Work, check "YES" below and list name of persons or companies you propose to use as subcontractors.

1. Fill in the information for every significant subcontractor – indicate the type of work the subcontractor will perform under the Contract, and their approximate percentage of the total Contract work.
2. Provide copies of relevant certifications each one possesses in the Attachment Supplements section.
3. Provide description of quality assurance methods and quality control measures that you will use to ensure that Subcontractor work meets the Contract requirements.
4. State may demand additional information about proposed subcontractors as a precondition of award.

☐	YES, the Offeror will use the Subcontractors listed below:
--------------------------	--

	Name and contact information	Small Business	Work to be performed	%
1.	Name	select		
1.	Name	select		
2.	Name	select		
3.	Name	select		
4.	Name	select		
5.	Name	select		
6.	Name	select		
7.	Name	select		
8.	Name	select		
9.	Name	select		

**Request for Proposals**

Solicitation No.
ADSP017-00006973

Description:
Managing Underwriting

Arizona Department of Administration

State Procurement Office

100 N 15th Ave., Suite 201
Phoenix, AZ 85007

Attachment 3-D
placeholder

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Attachment 3-E
Boycott of Israel Disclosure

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. Recently legislation has been enacted to prohibit the state from contracting with companies currently engaged in a boycott of Israel. To ensure compliance with A.R.S. §35-393.01. This form must be completed and returned with the response to the solicitation and any supporting information to assist the State in making its determination of compliance.

As defined by A.R.S. §35-393.01:

1. "Boycott" means engaging in a refusal to deal, terminating business activities or performing other actions that are intended to limit commercial relations with Israel or with persons or entities doing business in Israel or in territories controlled by Israel, if those actions are taken either:
 - (a) In compliance with or adherence to calls for a boycott of Israel other than those boycotts to which 50 United States Code section 4607(c) applies.
 - (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 a sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company or other entity or business association, and includes a wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate.
3. "Direct holdings" means all publicly traded securities of a company that are held directly by the state treasurer or a retirement system in an actively managed account or fund in which the retirement system owns all shares or interests.
4. "Indirect holdings" means all securities of a company that are held in an account or fund, including a mutual fund, that is managed by one or more persons who are not employed by the state treasurer or a retirement system, if the state treasurer or retirement system owns shares or interests either:
 - (a) together with other investors that are not subject to this section.
 - (b) that are held in an index fund.
5. "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.
6. "Public fund" means the state treasurer or a retirement system.
7. "Restricted companies" means companies that boycott Israel.
8. "Retirement system" means a retirement plan or system that is established by or pursuant to title 38.

All offerors must select one of the following:

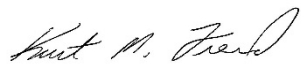
 X My company **does not** participate in, and agrees not to participate in during the term of the contract, a boycott of Israel in accordance with A.R.S. §35-393.01. I understand that my entire response will become public record in accordance with A.A.C. R2-7-C317.

 My company **does** participate in a boycott of Israel as defined by A.R.S. §35-393.01.

By submitting this response, proposer agrees to indemnify and hold the State, its agents and employees, harmless from any claims or causes of action relating to the State's action based upon reliance on the above representations, including the payment of all costs and attorney fees incurred by the State *in defending such an action.*

RBC Capital Markets, LLC

Company Name		
2398 E. Camelback Road, Suite 700		
Address		
Phoenix	AZ	85016
City	State	Zip


Signature of Person Authorized to Sign
Kurt M. Freund
Printed Name
Managing Director
Title

End of Attachment 3-E

PART 4 of the Solicitation Documents:
Offer Forms (Attachments)

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Attachment 4
Pricing Sheet

Offeror shall indicate cost below and return with their offer. Offeror shall also include cost within ProcureAZ under the ITEMS TAB:

- ADOT will not pay separately for these or any other costs.
- Do not enter any Alternative Descriptions.
- Do not enter Taxes.

*Based on SEC regulations for uniform reporting

SPREAD COMPONENT	\$100M HURF Senior 30-Year Level Debt	\$100M RARF Senior 20-Year Level Debt	\$100M GANs Senior 12-Year Level Debt
1. Management Fee (1)	0.00	0.00	0.00
2. Underwriting Fee	0.00	0.00	0.00
3. Expenses (2)	0.16	0.16	0.16
Subtotal	0.16	0.16	0.16
Average Takedown	3.50	3.25	3.25
TOTAL	3.66	3.41	3.41

(1) Management fee for SENIOR manager only.

(2) Expenses are to include clearance costs, computer charges, day loan costs, MSRB fees, CUSIP, PSA, DTC, travel and other expenses. DO NOT INCLUDE UNDERWRITERS' COUNSEL FEES.

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NOTE: The Department shall not be responsible for any charges not indicated on the Price Sheet submitted.

NON TRANSPORTATION REVENUE BONDS/CERTIFICATES OF PARTICIPATION

SCHEDULE OF UNDERWRITING SPREAD COMPONENTS (1)

SPREAD COMPONENT	\$10M	\$50M	\$200M	\$10M	\$50M	\$200M
	20-Year Level Debt	20-Year Level Debt	20-Year Level Debt	20-Year Level Debt	20-Year Level Debt	20-Year Level Debt
	Retail			Institutional		
1. Management Fee	0.00	0.00	0.00	0.00	0.00	0.00
2. Underwriting Fee	0.00	0.00	0.00	0.00	0.00	0.00
3. Clearance Related Expenses (2)	\$0.31	\$0.25	\$0.20	\$0.31	\$0.25	\$0.20
4. Out of Pocket Expenses (3)	10,000	20,000	25,000	10,000	20,000	25,000
Subtotal						
Average Takedown (4)	6.25	5.00	4.30	6.25	5.00	4.30
TOTAL	7.56	5.65	4.63	7.56	5.65	4.63

- (1) Stipulate all assumptions used in producing underwriting spread components including the firm's recommended composition of the sale of bonds to institutional and retain investors.
- (2) Clearance related expense should include clearance costs, computer charges, day loan costs, MSRB fees, PSA fees, and other size-related expenses. Fee should be expressed as \$1,000 of issue size. On a separate attachment, indicate what items are included in the "clearance related expenses" component of the gross spread. **See "Attachment 4 – Supplement #1" for a breakdown of clearance related expenses.**
- (3) Out-of-Pocket expenses should include travel, closing costs, and other non-size related expenses. Fees should be expressed as a fixed dollar amount. On a separate attachment, indicate what items are included in the "out-of-pocket expenses" component of the gross spread. This amount should be listed as a fixed dollar amount per issue, not as a price per \$1,000 of par issued and should include underwriter's counsel fees. **See "Attachment 4 – Supplement #1" for a breakdown of out-of-pocket expenses.**
- (4) This amount should be listed as \$1,000 of issue size.

NOTE: The Department shall not be responsible for any charges not indicated on the Price Sheet submitted.

End of Attachment 4

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Attachment 5-A
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(52).

Complete this form return it with your Offer along with the appropriate supporting information to assist 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":

☒	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.
☐	This response DOES contain trade secret information because it contains information that: 1. Is a formula, pattern, compilation, program, device, method, technique or process, AND 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 3. Is the subject of efforts by myself or my organization that are reasonable under the circumstances to maintain its secrecy.

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(52) 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.

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.

RBC Capital Markets, LLC

Offeror Company Name		
2398 E. Camelback Road, Suite 700		
Address		
Phoenix	AZ	85016
City	State	Zip


Signature of Authorized Person
Kurt M. Freund
Printed Name
Managing Director
Title

PART 4 of the Solicitation Documents:
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***Copy of A.A.C. R2-7-103 [Confidential Information]
as was current at time of Solicitation issuance***

PROVIDED FOR REFERENCE ONLY

- 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.*

- - -

End of Attachment 5-A

	Request for Proposals Solicitation No. ADSP017-00006973 Description: Managing Underwriting	Arizona Department of Administration State Procurement Office 100 N 15th Ave., Suite 201 Phoenix, AZ 85007
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Attachment 5-B Conformance Statements

STATE 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: (PART 1 OF THE SOLICITATION)

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 Solicitation Summary in Section 1-A of the Solicitation Documents and the Instructions to Offerors in Section 1-B of the Solicitation Documents and the and attests that its Offer complies with both.



NO – Offeror acknowledges that it has read and understands the Solicitation Summary in Section 1-A of the Solicitation Documents and the Instructions to Offerors in Section 1-B of the Solicitation Documents, and attests that its Offer complies with both EXCEPT FOR the exceptions listed in **Attachment 5-B Supplement 1**.

CONFORMANCE TO THE TECHNICAL DOCUMENTS: (PART 2 OF THE SOLICITATION)

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 and the Pricing Document in Part 2 of the Solicitation Documents and attests that its Offer complies with both.



NO – Offeror acknowledges that it has read and understands the Scope Document and the Pricing Document in Part 2 of the Solicitation Documents and attests that its Offer complies with both EXCEPT FOR the exceptions listed in **Attachment 5-B Supplement 1**.

CONFORMANCE TO THE CONTRACT TERMS AND CONDITIONS: (PART 3 OF THE SOLICITATION)

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 and Appendices, in Part 3 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 and Appendices in Part 3 of the Solicitation Documents and attests that its Offer complies with both EXCEPT FOR the exceptions listed in **Attachment 5-B Supplement 1**.

PART 4 of the Solicitation Documents:
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ATTACHMENT 5-B Supplement No. 1:

Article / Paragraph or Exhibit Reference	Proposed Changes / Alternate Language	Rationale for Proposed Change
Part 1: Summary and Instructions Section 1-A to 1-B		
x	x	x
x	x	x
x	x	x
Part 2: Scope and Pricing Section 2-A		
x	x	x
x	x	x
x	x	x
Part 3: Contract Terms and Conditions Section 3-A to 3D		
x	x	x
x	x	x
x	x	x

RBC Capital Markets, LLC



Company Name

Signature of Person Authorized to Sign

End of Attachment 5-B

	Request for Proposals Solicitation No. ADSP017-00006973 Description: Managing Underwriting	Arizona Department of Administration State Procurement Office 100 N 15th Ave., Suite 201 Phoenix, AZ 85007
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**Attachment 5-C
Offer Checklist**

STATE MAY DETERMINE YOUR PROPOSAL IS NON-RESPONSIVE IF YOU DO NOT SUBMIT ALL ATTACHMENTS.

	DOCUMENT	SUBMITTED
1.	Attachment 1: Offer and Acceptance Form	☒ YES ☐ no
2.	Attachment 2-A: Experience and Capacity Questionnaire	☒ YES ☐ no
3.	Attachment 3-A: Method Proposal	☒ YES ☐ no
4.	Attachment 3-C: Proposed Subcontractors	☒ YES ☐ no
5.	Attachment 3-D: (placeholder)	N/A.
6.	Attachment 3-E: Boycott of Israel Disclosure	☒ YES ☐ no
7.	Attachment 4: Pricing Sheet	☒ YES, ☐ no
8.	Attachment 5-A: Confidential Information Designation	☒ YES ☐ no
9.	Attachment 5-B: Conformance Statements	☒ YES ☐ no
10.	Attachment 5-C: Offer Checklist	☒ YES ☐ no

End of Attachment 5-C

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PART 2 of the SOLICITATION:
Technical and Commercial

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Section 2-A: Scope of Work (Technical Document)

Date: **04/25/2017**

1.0 Background

The State of Arizona (hereinafter referred to as the State) is seeking offers from investment banking firms (hereinafter referred to as the Contractor to provide underwriting services for future issuances of certain debt obligations including, but not limited to, Highway revenue bonds, Transportation Excise Bonds, Grant Anticipation Notes, and lease-purchase agreements pursuant to those authorities granted (for which may be granted) the State, under Arizona Law. Any contract resulting from this RFP shall become a statewide contract for use by all State agencies, and optional for cities, counties and school districts and other political subdivisions. The principal agencies anticipated to use the services under this contract are: State Transportation Board, School Facilities Board, Water Infrastructure Finance Authority, Arizona Department of Administration and Arizona Finance Authority (for the State Industrial Authority, Water Infrastructure Finance Authority and Greater Arizona Development Authority). The State will admit selected firms to the years Underwriting Pool. Firms may be appointed to underwrite (as senior manager joint senior manager co-senior manager, co-manager, or as a selling group member) bonds, notes commercial paper and other debt obligations issued on a negotiated basis.

2.0 Municipal Advisor Rule RFP Exemption

For the purposes of this competitive Request for Proposals and pursuant to 17 CFR 240.15Ba1-1 (d)(3)(iv), the State hereby notifies all investment banking firms that it wishes them to provide written information, advice and recommendations concerning the issuance of municipal securities and municipal financial products (as such terms are defined in the Municipal Advisor Rule) which: 1) result in the lowest cost financing for the State; 2) promote fair and broad distribution of issuers' bonds to investors; and 3) demonstrate willingness and ability to commit capital to underwrite unsold balances. The State intends for such advice and recommendations to qualify for the RFP/RFQ exemption. The State understands that by responding to this RFP/RFQ, respondents are not municipal advisors to the State.

3.0 Overview

- 3.1 The contractor shall have the resources and expertise to begin the work on the scheduled date. Whether or not it actually enters into any contracts, how many contracts it enters into, and how work is awarded between those contracts are all at the State's discretion. Further, the State will use any awarded contracts on an as-needed basis; it makes no guarantee as to its actual spending under them.
- 3.2 The State reserves the right to revise the delivery and schedule and make other changes within the general Scope of Work as may be deemed necessary to best serve the interest of the State. All changes shall be documented by formal amendments to the contract.
- 3.3 Upon award of a contract, the State may procure the specific material and/or service awarded by the issuance of a contract purchase order to the appropriate contractor. Each contract purchase order must cite the correct contract number. The award of a contract shall be in accordance with the Arizona Procurement Code and all transactions and procedures required by the Code for public bidding shall be complied with. A contract purchase order for the awarded material and/or service that cites the correct

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contract number is the only document required for the using agency to order and the contractor to deliver the material and/or service.

- 3.4 Any contract resulting from this solicitation shall be awarded with the understanding and agreement that it is for the sole convenience of the State. The State reserves the right to obtain like goods or services from another source when necessary. Off-Contract Purchase Authorization may only be approved by the Chief Procurement Officer. Approval shall be at the discretion of the Chief Procurement Officer and shall be conclusive, however, approval shall be granted only after a proper review and when deemed to be appropriate. Off-contract procurement shall be consistent with the Arizona Procurement Code.
- 3.5 Any contract resulting from this solicitation shall be for the exclusive use of the agency designated on the cover sheet of this document.
- 3.6 **CONTRACT ADMINISTRATION.** For information regarding the Uniform and Special Terms and Conditions, and Specifications referenced in this Solicitation contact: The State Procurement Office(SPO). Following award, the contractor shall contact the State Procurement Office for guidance or direction in matters of contract interpretation or problems regarding the terms, conditions or scope of the contract. Only the Procurement Officer or his/hers authorized designee is authorized to change or amend the specific terms, conditions or provisions of the agreement.
- 3.7 **CONFLICT OF INTEREST.** It should be noted that offerers are hereby advised of the Conflict of Interest Statutes, A.R.S. § 38-501, et seq. Any services requested by the Department which may lead to a real or apparent conflict of interest, under the Arizona Revised Statutes, with regard to future State contracts or solicitations, may be refused by the offerer by notifying the State Procurement Office in writing within five (5) days of such request. If such request is refused, the offerer may be precluded from award of such future contract or solicitation if a real or apparent conflict of interest exists, as determined by the State.

Projected Contract Awards

This Solicitation will award multiple contracts.

4.0 Arizona Department of Transportation (ADOT)

Agency Background and Requirements

- 4.1 Arizona Revised Statutes (A.R.S.) Title 28, Chapter 21, Article 1, empowers the State Transportation Board (the Board) to issue bonds and incur long-term obligations payable from and secured by monies deposited in the Arizona State Highway Fund. Highway Users Revenue Fund (HURF) monies are derived from fees and taxes relating to the registration, operation, and use of motor vehicles on the public highways of the State and from motor vehicle fuel tax revenues. HURF bonds have been issued on both a senior and a subordinated basis. As of October 6 2016, the Board has \$1,510,480,000 principal amount outstanding of HURF bonds.
- 4.2 A.R.S. Title 28, Chapter 21, Article 2, empowers the Board to issue bonds and incur long-term obligations payable from and secured by Transportation Excise Taxes deposited in the Maricopa County Regional Area Road Fund (RARF) pursuant to A.R.S. 42-6104. RARF bonds have also been issued on both a senior and a subordinated basis. As of October 6, 2016, the Board has \$710,465,000 principal amount outstanding of senior RARF bonds. The current Transportation Excise Tax expires on December 31, 2025.
- 4.3 A.R.S. Title 28, Chapter 21, Article 3, empowers the Board to issue notes secured by federal aid revenues or other monies lawfully available for application to such purpose. The Board has issued Grant Anticipation Notes (GANs) secured by and payable from federal aid revenues to be received by

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the department. As of October 6, 2016, the Board has \$140,975,000 principal amount outstanding of GANs.

- 4.4 The Board's 2017-2021 Five Year Transportation Facilities Construction Program contemplates the issuance of the following debt obligations over the next five years. Actual Issuance could vary considerably from these estimates. The Board has the authority to issue bonds through either a negotiated sale or competitive bid process. In addition, the Board may issue refunding bonds to replace currently outstanding bonds.

PROGRAM	FY2017	FY2018	FY2019	FY2020	FY2021	TOTAL
HURF		50		125	125	300
RARF		300		170	50	520
GANs	125		50			175

- 4.5 A.R.S. Title 28, Chapter 2, Article 3, empowers the Department to enter into lease-purchase agreements for the purchase of real property or buildings for the department's own use. If issued, payment obligations would constitute a current expense of the Department, would be payable exclusively from appropriated monies, and would not be a general obligation indebtedness of the state or the Department. To date, the Department has not undertaken any such financing obligation, and there are no immediate plans to issue lease-purchase financing instruments.
- 4.6 This contract may be cancelled if contractor or any subcontractors or others in the employ or under the supervision of the contractor or subcontractors are found to be in possession of weapons.
- 4.7 Possession of weapons (firearms, explosive device, knife or blade of more than three inches, or any other instrument designed for lethal or disabling use) is prohibited on ADOT property pursuant to ADOT Policy, MGT 6.04, "Weapons in the Workplace." Such property includes ADOT owned or leased office building, yards, parking lots, construction sites or state owned vehicles.
- 4.8 Further, if the contractor or any subcontractors or others in the employ or under the supervision of the contractors or subcontractors are asked by an ADOT official to leave the ADOT property, they are advised that failure to comply with such a request shall result in cancellation of the contract and anyone who refuses, whether armed or not, is subject to prosecution under A.R.S. § 13-1502, "Criminal trespass in the third degree; classification."

5.0 School Facilities Board

School Facilities Background and Requirements

- 5.1 The School Facilities Board was created by the Students FIRST Act (Laws 1998, fifth special session, chapter 1). The Students FIRST Act was the last in a series of bills enacted in response to an Arizona Supreme Court ruling that the previous system for financing the capital needs of public school districts grades K-12 was unconstitutional. The Board and its staff manage three programs created by the State Legislature in response to the public school finance litigation -- one to address the need for construction of new school facilities, one to address existing deficiencies in school facilities, and one to address the need for renovations to maintain buildings at or above State standards, called "building renewal."
- 5.2 As a result of a favorable vote at an election held in the State on November 7, 2000, the Board receives the first allocation of the proceeds of a Statewide 0.6% "Education Transaction Privilege Tax"

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for payment of principal and interest on \$800,000,000 of State School Improvement Revenue Bonds. The Board in four series between (year) and (year) issued these bonds.

- 5.3 The total debt service for 2014 was \$260,696,874.93
- 5.4 The total debt service for 2015 was \$230,340,104.03
- 5.5 The total debt service for 2016 was \$261,803,262.02

6.0 Arizona Finance Authority [Water Infrastructure Finance Authority of Arizona (WIFA)]

WIFA Background and Requirements

- 6.1 The Arizona Legislature created the Water Infrastructure Finance Authority of Arizona (WIFA) in 1989 as a pooled bonding authority for water, water reclamation, and wastewater infrastructure. The Authority's principal financing tools include Water Quality Revenue Bonds, Arizona's Clean Water Revolving Fund and Arizona's Drinking Water Revolving Fund. Prior to 1997 Arizona Legislature action, WIFA operated as the Wastewater Management Authority. Effective August 16th of 2016 WIFA became a part of the Arizona Finance Authority.
- 6.2 The Authority receives contributed capital from both the state and federal governments and employs two principal structures to provide financial assistance: WIFA combines federal and state capitalization grants and existing equity to fund infrastructure projects in communities throughout Arizona.
- 6.3 WIFA assesses Arizona communities' needs, and issues bonds to generate capital sufficient to address forecasted community lending activity and capacity. The extent to which WIFA minimizes its cost of borrowing via its revenue bonds translates into community savings through twenty-year loans, reduced borrowing amounts, lower interest rates, and shared closing costs. Pursuant to WIFA's Master Trust Indenture, WIFA's bonds are secured by the repayments of principal and interest on certain WIFA loans, earnings on investments of amounts on deposit in certain funds, and accounts established under the indenture.
- 6.4 Arizona Revised Statutes § 49-1201 through 1269, Title 35; Title VI of the Clean Water Act, and Title I of the Safe Drinking Water Act, Section 130 as amended in 1996 govern WIFA's functions.

The last three bond actions have been:

A 2010 refunding for 42,325,000 and 138,665,000 of new funds

A 2012 refunding of 212,210,000.

A 2014 refunding of 342,565,000.

7.0 Arizona Finance Authority [Greater Arizona Development Authority (GADA)]

GADA Background and Requirements

- 7.1 Greater Arizona Development Authority (GADA) was authorized during the 1997 Legislative Sessions and signed into law on April 26, 1997. GADA was created to provide cost-effective access to capital for local communities and tribal governments for public infrastructure projects. GADA has been designed to reduce local governments' cost of borrowing by reducing transaction costs, by providing technical expertise, and by "pooling" or otherwise enhancing the credit or financial capacity of individual projects.

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7.2 GADA finances its program loans through the issuance of bonds and passes cost of issuance savings and market interest rates through to its borrowers. GADA bonds will be secured by the pledge of its borrowers, as well as by the Pledged Collateral Reserve Fund. Effective August 16, 2016 GADA became a part of the Arizona Finance Authority. Since 1998 GADA has had 24 bond issuances totaling 574,885,000 or an average of 23,954,000 per issuance." Additional issuances are dependent on a Legislative appropriation.

7.3 The last bond issues for GADA were:

A 2009 issuance of 43,025,000

A 2010 issuance of 23,370,000

A 2014 refunding of 10,395,000

Unless the legislature provides additional funding no new bond issues can be completed.

8.0 Arizona Finance Authority [Arizona International Development Authority (AIDA)]

AIDA Background and Requirements

8.1 A.R.S Title 41, Chapter 45, Article 1 authorizes the Arizona International Development Authority to issue or revenue bonds for any property and related facilities, acquired to facilitate international trade or commerce between this state and other countries, including property suitable for international ports of entry; international border crossing facilities; transportation and shipping facilities, including railroad, dock, airport, highway and roadway facilities, other than a highway or roadway under the jurisdiction of the department of transportation, and including public transportation, surface mass transit and intermodal surface transportation facilities; and any facilities located or to be located in the Arizona-Mexico border area for the transmission or transportation of electricity, including electricity generated by renewable resources such as solar, wind or geothermal, liquefied natural gas, natural gas and oil and its derivatives across the United States-Mexico border.

9.0 General Requirements

- 9.1 The scope of services to be rendered to the State by the managing underwriter shall include, but not be limited to, the following:
- 9.2 Provide the most effective structuring, pricing and marketing of State financial transactions to achieve the lowest cost of capital;
- 9.3 Review and comment upon the projected time schedule of financing obligations as it relates to proposed capital programs.
- 9.4 Develop necessary analytical models to evaluate financing alternatives by working with agency staff, and the financial advisor to the Issuers.
- 9.5 Assist bond counsel, as requested, in the preparation of legal documentation for financing obligations.
- 9.6 Assist in the review of preliminary and final official statements for the financing obligation.
- 9.7 Assume primary responsibility for all activities associated with the marketing and sale of the Issuers' obligations.
- 9.8 Commit capital as necessary.
- 9.9 As senior managing underwriter, develop and execute an agreement among underwriters.

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- 9.10 Prepare presentations and coordinate and participate in informational meetings with institutional investors, credit analysts, financial advisors and others as requested by the agency.
- 9.11 Assist agency staff, financial advisor, and bond counsel in all other matters necessary to ensure the successful marketing of the financial offerings.
- 9.12 Provide a post-sale report to applicable Agency recapping pricing details, investors, syndicate orders and other information regarding the sale.
- 9.13 Ensure compliance with applicable federal, state, industry and other laws, regulations and requirements.
- 9.14 Provide such other related underwriting services from time to time as may be needed, necessary, or deemed desirable by the Issuers.
- 9.15 Any firm serving as a financial advisor for a transaction may not serve as an underwriter for that transaction.
- 9.16 The Senior Managing Underwriter(s) are expected to actively participate in and lend expertise to the financial structure of the debt issue, supporting resolutions and legal documents. The Co-Managers are expected to actively participate in and lend expertise in the distribution and marketing of the debt issue.

Additional Information

- 9.17 From this solicitation, a list of qualified investment banking firms will be developed to serve as managing underwriter(s) for the State's capital financing programs. Agencies will conduct "mini RFP's" to further select Contractors from this list to provide underwriting services as needed.
- 9.18 Payment for underwriting services shall be from monies derived from the issuance of financial obligations as described above, or as otherwise permitted by law. The underwriter(s) will be responsible for any costs incurred by their firms if such offerings are not issued.
- 9.19 Services under this agreement may be extended to any future debt, privatization or financing statutory authority the State may receive during the agreement term beyond the specific authorities previously cited, including but not limited to, authority which may be granted under State Infrastructure Bank or Public/Private Partnership legislation.
- 9.20 Agencies may designate more than one senior managing underwriter. On an issue-by-issue basis, an agency may negotiate additional issues with the same underwriters without further review of qualifications. On an issue-by-issue basis, the agency may designate different or "rotating" book-running senior managers. The agency may also appoint co-managers and selling group members.

Contractor's Personnel

- 9.21 Regardless of position, role, or duties, Contractor shall only assign personnel who are appropriately alert, fit, qualified, trained, and equipped for their assignments. Unless a particular Order specifies certain numbers of personnel, Contractor shall:
 - a) provide adequate numbers of appropriately qualified and authorized personnel as necessary to carry out the Services successfully;
 - b) assign, at minimum, the key personnel identified in the Accepted Offer to the positions, roles, and/or duties indicated therein; and
 - c) not remove or reassign any of those key personnel without State's prior consent, which State may withhold at its discretion.
- 9.22 Work performed by the Contractor shall be subject to periodic reviews and partial acceptance at various stages. The State may make such reviews and pass upon the acceptability of Contractor's work. Partial acceptance shall not relieve the Contractor of its obligation to correct, without charge, any errors in the work on this project.

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- 9.23 It is essential that the Contractor provide an adequate staff of experienced personnel, capable of and devoted to the successful accomplishment of work to be performed under this contract. The Contractor must assign specific individuals to the key positions. Once assigned to work under the contract, key personnel shall not be removed or replaced without the prior written approval of the State.
- 9.24 The Contractor agrees to utilize only experienced, responsible and capable personnel in the performance of the work. The State may require that the Contractor remove from the job covered by this contract, employees who endanger persons or property or whose continued employment under the contract is inconsistent with the interest of the State.

10.0 Performance Requirements

- 10.1 Due to security and identity protection concerns, direct services under this contract shall be performed within the borders of the United States. Any services that are described in the specifications or scope of work that directly serve the State of Arizona or its clients and may involve access to secure or sensitive data or personal client data or development or modification of software for the State shall be performed within the borders of the United States. Unless specifically stated otherwise in the specifications, this definition does not apply to indirect or 'overhead' services, redundant back-up services or services that are incidental to the performance of the contract. This provision applies to work performed by subcontractors at all tiers.
- 10.1.1 A breach of a warranty regarding compliance with immigration laws and regulations shall be deemed a material breach of the contract and the contractor may be subject to penalties up to and including termination of the contract.
- 10.1.2 Failure to comply with a State audit process to randomly verify the employment records of contractors and subcontractors shall be deemed a material breach of the contract and the contractor may be subject to penalties up to and including termination of the contract.
- 10.1.3 The State agency retains the legal right to inspect the papers of any employee who works on the contract to ensure that the contractor or subcontractor is complying with the warranty.

11.0 Reporting Requirements

Usage Reports

- 11.1 The Contractor shall furnish the State a usage report delineating the acquisition activity governed resultant contract. The format of the report shall be approved by the State and shall disclose the quantity and the dollar value of each contract item by individual purchasing unit.
- 11.2 Provide a post-transaction report to applicable agency.
- 11.3 The usage report shall be due at the end of each calendar quarter as follows:
- 11.3.1 January through March (Q1)
- 11.3.2 April through June (Q2)
- 11.3.3 July through September (Q3)
- 11.3.4 October through December (Q4)

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Notices

11.4 All notices, requests demands, consents, approvals, and other communications which may or are required to be served or given under this contract (for the purpose of these provisions collectively called "Notices"), shall be in writing and shall be sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the party or parties to receive such notice as follows:

11.4.1 If intended for the State, to:

Megan Lukehart

State of Arizona, State Procurement Office

100 N. 15th Avenue, Phoenix, AZ 85007

Email: megan.lukehart@azdoa.gov, phone: 602.542.9158

11.4.2 If intended to the Contractor, to:

- (a) The contractor Name, Address, City, State, Zip, Attention:
- (b) Or to such other address as either party may from time to time furnish in writing to the other by written notice. Any notice so mailed shall be deemed to have been given as of the date such notice is received as shown on the return receipt. Furthermore, such notice may be given by delivering personally such notice, if intended for the State, to the Arizona State Procurement Office, Procurement Officer and if intended for the Contractor, to the person named on the Offer and Contract award Form of this Contract, or to such other person as either party may from time to time furnish in writing to the other by notice hereunder. Any notice so delivered shall be deemed to have been given as of the date such notice is personally delivered to the other party.

End of Section 2-A

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Section 2-B: Compensation Document

Date: **04/25/2017**

1.0 Compensation

Compensation Method.

- 1.1 Compensation for underwriting services is negotiated by the agency for each deal and is contingent upon the completion of financing, taking into account the type of financing, amount and level of work required, market conditions relating to the sale of notes or bonds, and other factors that may be deemed necessary and appropriate.
- 1.2 EXPENSES. Under cost reimbursement compensation, The State will pay Contractor for allowable incurred costs as followed according to the terms agreed upon with the agency.
 - 1.2.1 Management fee for senior manager only.
 - 1.2.2 Costs related to the size of the issue including clearance costs, external data service fees, day loan costs, CUSIP, DTC and other transaction expenses. Fees are to be expressed as a price per \$1,000 of par issued.
 - 1.2.3 Out-of-pocket expenses including reasonable travel costs incurred as part of the sale transaction, closing costs, underwriter's counsel fees and other expenses not related to the size of the issue. Fees should be expressed as a fixed dollar amount per issue, not as a price per \$1,000 of par issued.
 - (a) Contractor will be reimbursed at the current State Travel Policy rates for travel expenses authorized in advance. The State Travel Authorization Policy and Procedure is hereby incorporated herein. Travel expenses to Arizona outside a 50-mile radius of the Arizona border shall not be reimbursed. State travel policy is clarified to include only the travel reimbursement schedules. Actual receipt for travel must be submitted to be compensated for allowable direct costs (lodging, automobile, meals, etc.). The travel policies may be accessed via the internet at the State of Arizona, General Accounting Office's website (<http://www.gao.state.az.us/travel.html>) and State of Arizona, Department of Transportation's website: (<http://www.azdot.gov/InsideADOT/Procurement/TravelPP.asp>). The Contractor shall not be paid for travel expenses, including time, incurred for normal travel to and from the agency in Phoenix, Arizona.
 - (b) Contractor shall itemize all per diem and lodging charges.
 - 1.2.4 The State will not pay the following fees: MSRB Underwriting and Transaction Assessment fee, SIFMA Municipal Assessment fee or any fees assessed to the Contractor as part of a new Governmental Accounting Standards Board (GASB) fee.

2.0 Pricing

As the Pricing model for bond issuance and the underwriting service is unique for contracting, the following process is outlined;

- 2.1 Overview of an example negotiated bond issue process:

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- 2.1.1 Agency secures authorization to issue and sell the bonds through voter, board or other applicable governing body approval.
- 2.1.2 Agency selects underwriter(s) and underwriter compensation per bond is established.
- 2.1.3 Underwriter establishes proposed terms for the bonds based on current market conditions and negotiates such terms with the agency until a verbal award is reached.
- 2.1.4 Agency and senior underwriter execute the bond purchase agreement documenting the sale price, interest rates, maturities, redemption provisions, etc.
- 2.1.5 At closing, the underwriter transfers funds to the agency (or trustee as applicable) after withholding underwriter compensation.
- 2.1.6 Upon receipt of funds, agency (or trustee as applicable):
 - A. Receives invoices for, and pays, remaining costs of issuance (bond counsel, financial advisor, rating agencies, and others).
 - B. Uses issue proceeds for projects or purposes authorized by law.
- 2.1.7 End of Process Cycle
- 2.2 Each agency will issue a "mini-RFP" to select from the pool established under this solicitation, requesting information including, but not limited to, the following:
 - 2.2.1 Relevant experience of the Contractor and the individuals with regards to the issuer, and the identification and experience of the individual in charge of day-to-day management of the bond sale, including both the investment banker(s) and the underwriter(s).
 - 2.2.2 A description of the Contractor's bond distribution capabilities including the experience of the individual primarily responsible for underwriting the proposed bonds, and the Contractor's ability to access both retail and institutional investors.
 - 2.2.3 Demonstration of the Contractor's understanding of the issuer's financial situation, including ideas on how the issuer should approach financing issues such as bond structures, credit rating strategies and investor marketing strategies.
 - 2.2.4 Demonstration of the Contractor's knowledge of local political, economic, legal or other issues that may affect the proposed financing.
 - 2.2.5 An indicative pricing scale for the issue in the current market.
 - 2.2.6 Proposed fees for serving as senior manager for the issue, including a breakout of underwriting fees, itemized expenses (including underwriters' counsel, federal funds, clearance, travel, etc.), proposed takedown, management fee and any other fees or costs applicable to the issue.
 - 2.2.7 Documentation of the underwriters participation in the issuers recent competitive sales or the competitive sales of other issuers in the same state or sector.
 - 2.2.8 The amount of uncommitted capital available and the ability and willingness of the Contractor to purchase the entire offering of the issuer, if necessary, in the case of a Contractor underwriting.
 - 2.2.9 Disclosure of pending investigations of the Contractor or enforcement or disciplinary actions imposed on the firm within the past three years by the SEC or other regulatory bodies.

End of Section 2-B

End of Part 2



Requests for Proposals

under A.R.S. §41-2534

Arizona Department of Administration

State Procurement Office

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Phoenix, AZ 85007

SECTION 3-B: Uniform Terms and Conditions

Version: 11.3 (7/21/2016)

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under A.R.S. §41-2534

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Uniform Terms and Conditions

1.0 Definition of Terms

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

- 1.1 Acceptance** "Acceptance" means the document headed "Offer and Acceptance Form" bearing the State contract number once Procurement Officer has signed it to signify (1) State's formal acceptance of the Accepted Offer and (2) the formation of the Contract. For clarity of intent, the foregoing is not to be confused with the term "acceptance" used throughout the Contract in the context of delivery, inspection, etc., with respect to Materials or Services.
- 1.2 Accepted Offer** If State did not request a Revised Offer, then "Accepted Offer" means the Initial Offer. If State did request a Revised Offer but not a Best and Final Offer, then "Accepted Offer" means the latest Revised Offer. If State requested a Best and Final Offer, then "Accepted Offer" means the Best and Final Offer.
- 1.3 Arizona Procurement Code; A.R.S.; A.A.C.** "Arizona Procurement Code, "A.R.S.," and "A.A.C." are each defined in the Instructions to Offerors.
- 1.4 Arizona TPT** "Arizona TPT" means Arizona Transaction Privilege Tax. For information, refer to the Arizona Department of Revenue (DOR) website at: <https://www.azdor.gov/business/transactionprivilegetax.aspx>.
- 1.5 Attachment** "Attachment" means any item that:
1. the Solicitation required Offeror to submit as part of the relevant Offer (e.g., Initial Offer, Revised Offer, or BAFO);
 2. was attached to an Offer when submitted; and
 3. was included in the Accepted Offer.
- 1.6 Commercial Document** "Commercial Document" means Section 2-B of Part 2 of the Solicitation Documents, provided that, if there is no such Section in the Contract, then "Commercial Document" is to be construed as referring to whatever item in the Contract contains the contracted pricing and payment provisions.
- 1.7 Contract** "Contract" means, collectively, the Acceptance, the Solicitation Documents, the Accepted Offer, all acknowledged Orders, and any Contract Amendments. See paragraph 1.22. The Contract is identified as a "Purchase Order" in ProcureAZ, since that is the terminology used in the software; use of that term in ProcureAZ is not to be confused with the contractual term "Order" defined in paragraph 1.21.
- 1.8 Contract Amendment** "Contract Amendment" means a document signed by Procurement Officer that has been issued for the purpose of making changes to the Contract after execution. The term "Change Order" in ProcureAZ is to be construed as being synonymous with "Contract Amendment".
- 1.9 Contract Terms and Conditions** "Contract Terms and Conditions" means the Special Terms and Conditions and these Uniform Terms and Conditions taken collectively.
- 1.10 Contractor** "Contractor" means the Person identified on the Accepted Offer who has entered into the Contract with State.



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- 1.11 Contractor Indemnitor** "Contractor Indemnitor" means Contractor or any of its owners, officers, directors, agents, employees, or Subcontractors.
- 1.12 Co-Op Buyer** "Co-Op Buyer" means a member of the State Purchasing Cooperative that has entered into a "Cooperative Purchasing Agreement" with the Arizona Department of Administration State Procurement Office under A.R.S. § 41-2632. Unless there is an applicable Cooperative Purchasing Agreement in effect at the time, a State Purchasing Cooperative member cannot be a Co-Op Buyer. For reference, "Co-Op Buyer" is to be construed as encompassing "eligible procurement unit" under A.A.C. R2-7-101(23).

NOTE: Membership in the State Purchasing Cooperative is open to all Arizona political subdivisions, including cities, counties, school districts, and special districts. Membership is also available to non-profit organizations, other state governments, the federal government and tribal nations. For reference, "non-profit organizations" are defined in A.R.S. § 41-2631(4) as any nonprofit corporation as designated by the IRS under section 501(c)(3) through 501(c)(6) of the tax code.
- 1.13 Day** "Day" means a calendar day unless otherwise specified in a particular context.
- 1.14 Eligible Agency** If the Special Terms and Conditions indicates that the Contract is a "single-agency" contract, then "Eligible Agency" means the particular State of Arizona agency, university, commission, or board identified therein. If the Special Terms and Conditions indicates that the Contract is a "statewide" contract, then "Eligible Agency" means any State of Arizona department, agency, university, commission, or board.
- 1.15 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.
- 1.16 Indemnified Basic Claims** "Indemnified Basic Claims" means any and all claims, actions, liabilities, damages, losses, or expenses, including court costs, attorneys' fees, and costs of claim processing, investigation and litigation, for bodily injury or personal injury, including death, or loss or damage to any real or tangible or intangible personal property, collectively. See paragraph 6.3.
- 1.17 Instructions to Offerors** "Instructions to Offerors" is Section 1-B of Part 1 of the Solicitation Documents.
- 1.18 Materials** "Materials" has the meaning given in A.R.S. § 41-2503(7) to the extent those things are included in the Work, which, for convenience of reference only, is "... 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." Materials includes software, except that If software is sold or provided as a service, then to the extent it consists of encoded information or computer instructions it is included in "Materials" and to the extent it is a service it is in "Services".
- 1.19 Offer; Initial Offer; Revised Offer; Best and Final Offer (BAFO)** "Offer," "Initial Offer," "Revised Offer," and "Best and Final Offer" ("BAFO") are each defined in the Instructions to Offerors.
- 1.20 Order** "Order" means the instrument by which State authorizes Contractor to perform some or all of the Work. Whether the Contract will have one Order or many Orders depends the scope of the Contract and how State will use it. The Special Terms and Conditions provide that information. Any of the following is to be construed as being an "Order":
 1. "Release" or "Release Purchase Order" in ProcureAZ;
 2. "task order", "service order," or "job order" when a Release Purchase Order for Services has already been committed in ProcureAZ; or
 3. "purchase order" for buying by Co-Op Buyers, if co-op buying applies.
- 1.21 Part, Section; Exhibit** "Part," "Section," and "Exhibit" are each defined in the Instructions to Offerors.



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- 1.22 Person** "Person" means any corporation, business, individual, union, committee, club, or other organization or group of individuals.
- 1.23 Procurement Officer** "Procurement Officer" means the person, or his or her designee, who has been duly authorized by State to enter into and administer the Contract and to make written determinations with respect to the Contract. Procurement Officer is as identified on the Acceptance unless subsequently changed by Contract Amendment.
- 1.24 ProcureAZ** "ProcureAZ" means State's official electronic procurement system, established pursuant to A.A.C. R2-7-201 as set forth in the Arizona Department of Administration State Procurement Office policy document *Technical Bulletin No. 020, ProcureAZ – The Official State eProcurement System*.
NOTE (1): Technical Bulletin No. 020 is available online at:
<https://spo.az.gov/administration-policy/state-procurement-resource/procurement-regulations>
NOTE (2): The URL for ProcureAZ itself is:
<https://procure.az.gov/>
- 1.25 Scope of Work** "Scope of Work" means Section 2-A of Part 2 of the Solicitation Documents.
- 1.26 Services** "Services" has the meaning given in A.R.S. § 41-2503(35), which, for convenience of reference only, is "... the furnishing of labor, time, or effort by [the] [C]ontractor or [S]ubcontractor 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." Services includes Building Work and the service aspects of software described in paragraph 1.19.
- 1.27 Solicitation; Solicitation Documents** "Solicitation" and "Solicitation Documents" are defined in the Instructions to Offerors.
- 1.28 Special Terms and Conditions** "Special Terms and Conditions" are Section 3-A of Part 3 of the Solicitation Documents.
- 1.29 Specification** "Specification" has the meaning given in A.R.S. § 41-2561, which, for convenience of reference only, is "... any description of the physical or functional characteristics, or of the nature of a material, service or construction item. Specification may include a description of any requirement for inspecting, testing or preparing a material, service or construction item for delivery." Specifications (if any are included in the Contract), are indexed in the Scope of Work and could be bound separately from the other documents forming the Contract.
- 1.30 State** With respect to the Contract generally, "State" means the State of Arizona and its department, agency, university, commission, or board that has executed the Contract. With respect to administration or rights, remedies, obligations and duties under the Contract for a given Order, "State" means each of Eligible Agency or Co-Op Buyer who has issued the Order.
- 1.31 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.
- 1.32 State Fiscal Year** "State Fiscal Year" means the period beginning each July 1 and ending each June 30.
- 1.33 Subcontract** "Subcontract" means any contract, express or implied, between 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 Materials, the performing of any Services, or the carrying out of any other aspect of the Work.
- 1.34 Subcontractor** "Subcontractor" has the meaning given in A.R.S. § 41-2503(38), which, for convenience of reference only, is "... a person who contracts to perform work or render service to ... [C]ontractor or to another [S]ubcontractor as a part of a contract with a state



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governmental unit . . . "The Contract is to be construed as "a contract with a state governmental unit" for purposes of the definition. For clarity of intent, a Person carrying out any element of the Work is a Subcontractor from the moment they first carry out that element of the Work regardless of whether or not a Subcontract exists then or subsequently.

1.35 Uniform Terms and Conditions

The "Uniform Terms and Conditions" are made up of this document and whichever of the Appendices are indicated in the Special Terms and Conditions as being applicable.

1.36 Work

"Work" means the totality of the Materials and the Services and all the acts of administration, creation, production, and performance necessary to fulfill and incidental to fulfilling all of Contractor's obligations and duties under the Contract in conformance with the Contract and applicable laws.

2.0 Contract Interpretation

2.1 Arizona Law

The Contract is governed by and is to be interpreted in accordance with the laws of the State of Arizona, including the Arizona Procurement Code, without consideration of conflict of laws principles.

2.2 Implied Terms

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

2.3 Usage

Where the Contract:

1. assigns obligations to Contractor, any reference to "Contractor" is to be construed to be a reference to "Contractor and all Subcontractors, whether they are first-tier subcontractors, sub-subcontractors, suppliers, sub-suppliers, consultants, or sub-consultants, as well as all of Contractor's and the Subcontractors' respective agents, representatives, and employees" in every instance unless the context plainly requires that it is be a reference only to Contractor as apart from Subcontractors;
2. uses the permissive "may" with respect to a party's actions, determinations, etc., the term is to be interpreted as in A.A.C. R2-7-101(31) [Definitions]. For clarity of intent, any right given to State using "State may" or a like construction denotes discretion and freedom to act so far as any regulatory or operative constraints permit in the relevant circumstances, provided that: (a) where written "may, at its discretion," the discretion extends to whatever is most advantageous to State; and (b) where written only as "may," the discretion is constrained by what is fair, reasonable, and as accommodating of the respective best interests of both parties as practicable under the circumstances;
3. uses the imperative "shall" with respect to a party's actions, duties, etc., the term is to be interpreted as in A.A.C. R2-7-101(43) [Definitions]. Conversely, the phrase "shall not" is to be interpreted as an imperative prohibition.
4. uses the term "must" with respect to a requirement, criterion, etc., the term is to be interpreted as conveying compulsion or strict necessity, and is to be read as though written "*must, if [the subject] is to be entitled to have [the object] considered or credited as being compliant with, conforming to, or satisfying [the requirement, criterion, constraint, etc.], otherwise, [the object] will be considered or debited as being non-compliant, non-conforming, or unsatisfactory for its Contract-related purposes*" in every instance;
5. uses the term "might" with respect to an event, outcome, action, etc., the term is to be interpreted as conveying contingency or non-discretionary conditionality; and
6. uses the term "will" or the phrases "is to be" or "are to be" with respect to an event, outcome, action, etc., the term or phrase is to be interpreted as conveying such certainty or imperativeness that "shall" is either unnecessary or irrelevant in that instance.



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2.4 Contract Order of Precedence

2.4.1 **COMPLEMENTARY DOCUMENTS.** All of the documents forming the Contract are complementary. If certain work, requirements, obligations, or duties are set out only in one but not in another, Contractor shall carry out the Work as though the relevant work, requirements, obligations, or duties had been fully described in all, consistent with the other documents forming the Contract and as is reasonably inferable from them as being necessary to produce complete results.

2.4.2 **CONFLICTS.** In case of any inconsistency, conflict, or ambiguity among the documents forming the Contract and their provisions, they are to prevail in the following order, descending from most dominate to most subordinate, provided that, among categories of documents or provisions having the same rank, the document or provision with the latest date prevails. Information being identified in one document but not in another is not to be considered a conflict or inconsistency.

- (a) Contract Amendments;
- (b) the Solicitation Documents, in the order:
 - (1) Special Terms and Conditions;
 - (2) Exhibits to the Special Terms and Conditions;
 - (3) Uniform Terms and Conditions;
 - (4) Scope of Work;
 - (5) Exhibits to the Scope of Work;
 - (6) Commercial Document;
 - (7) Exhibits to the Commercial Document;
 - (8) Specifications; and
 - (9) any other documents referenced or included in the Solicitation;
- (c) Orders, in reverse chronological order; and
- (d) Accepted Offer.

2.4.3 **ATTACHMENTS AND EXHIBITS.** For clarity of intent, if an item was an Attachment in the Solicitation Documents or an Offer (either Initial, Revised, Best and Final, or Accepted) and was subsequently made into an Exhibit, or its content was incorporated into one of the other Contract documents, then that Attachment no longer exists contractually as an "Attachment" since it has at that point been made into some other Contract document. In every other case, an Attachment and the Offeror data therein remain part of the Accepted Offer for purposes of precedence and contractual effect.

2.5 Independent Contractor

Contractor is an independent contractor and shall act in an independent capacity in performance under the Contract. Neither party is or is to be construed as being to be the employee or agent of the other party, and no action, inaction, event, or circumstance will be grounds for deeming it to be so.

2.6 Severability

Any term or condition deemed or adjudged illegal or invalid is thereby stricken from the Contract and will not affect any other term or condition of the Contract.

2.7 Complete Integration

The Contract, including any documents incorporated into the Contract by reference, is intended by the parties as a final and complete expression of their agreement. There are no prior, contemporaneous, or additional agreements, either oral or in writing, pertaining to the Contract.

2.8 No Waiver of Rights

Either party's failure to insist on strict performance of any term or condition of the Contract is not and is not to be construed as being, nor will it be deemed to be, a waiver of that term or condition or a bar to, or diminishment of the right of, subsequent enforcement of any term or condition.



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3.0 Contract Administration and Operation

- 3.1 Term of Contract** The term of the Contract will commence on the date indicated on the Acceptance and continue for the period specified in the Special Terms and Conditions unless canceled, terminated, or permissibly extended. If the Special Terms and Conditions do not specify a period, then the initial term is 1 (one) year. State has no obligation to extend or renew the Contract past the initial term.
- 3.2 Contract Extensions** State may at its discretion extend the initial Contract term in increments of one or more months and do so one or more times, provided that, the maximum aggregate term of the Contract including extensions cannot exceed the period specified in the Special Terms and Conditions. If the Special Terms and Conditions do not specify a period, then the maximum aggregate term is 5 (five) years.
- 3.3 Notices and Correspondence**
- 3.3.1 TO CONTRACTOR. Unless stated otherwise in the Special Terms and Conditions, State shall:
- (a) address all Contract correspondence other than formal notices to the email address indicated as "Default for Type" for "General Mailing Address" in Contractor's corresponding ProcureAZ Vendor Profile; and
- (b) address any required notices to Contractor to the "Contact Name and Title" at the "Mailing Address" indicated on the Accepted Offer, as that address might have been amended during the term of the Contract.
- 3.3.2 TO STATE. Unless stated otherwise in the Special Terms and Conditions, Contractor shall :
- (a) address all Contract correspondence other than format notices to the email address indicated in "Contact Instructions" in the ProcureAZ Summary for State; and
- (b) address any required notices to State to Procurement Officer identified as "Purchaser" in the ProcureAZ Summary at the following mailing address:
- Arizona Department of Administration
State Procurement Office
100 N 15th Ave., Suite 201
Phoenix, AZ 85007
- 3.3.3 CHANGES. State may change the designated Procurement Officer, update contact information, or change the applicable mailing address by Contract Amendment.
- 3.4 Signing of Contract Amendments** Contractor's counter-signature – or "approval" in ProcureAZ, in the case of a Change Order – is not required to give effect if the Contract Amendment only covers either:
1. extension of the term of the Contract within the maximum aggregate term;
 2. revision to Procurement Officer appointment or contact information; or
 3. modifications of a clerical nature that have no effect on terms, conditions, price, scope, or other material aspect of the Contract.
- In every case other than those listed in (1), (2), and (3) above, both parties' signature – or "approval" in ProcureAZ, in the case of a Change Order – are required to give it effect.
- 3.5 Click-Through Terms and Conditions** Unless expressly stated otherwise in the Special Terms and Conditions, if either party uses a web based ordering system, an electronic purchase order system, an electronic order acknowledgement, a form of an electronic acceptance, or any software based ordering system with respect to the Contract (each an "Electronic Ordering System"), the parties acknowledge and agree that an Electronic Ordering System is for ease of administration only, and Contractor is hereby given notice that the persons using Electronic Ordering Systems on behalf of State do not have any actual or apparent authority to create legally binding obligations that vary from the terms and conditions of the Contract. Accordingly, where an authorized State user is required to "click through" or otherwise accept or be made subject to any terms and conditions in using an Electronic Ordering Systems, any such terms and conditions are deemed void upon



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presentation. Additionally, where an authorized State user is required to accept or be made subject to any terms and conditions in accessing or employing any Materials or Services, those terms and conditions will also be void.

3.6 Books and Records

3.6.1 RETAIN RECORDS. By A.R.S. § 41-2548(B), Contractor shall retain and shall contractually require each Subcontractor to retain books and records relating for any cost and pricing data submitted in satisfaction of § 41-2543 for the period specified in the statute.

3.6.2 RIGHT TO AUDIT. The retained books and records are subject to audit by State during that period. By A.R.S. § 41-2548(B), Contractor shall retain and shall contractually require each Subcontractor to retain books and records relating to performance under the Contract for the period specified in the statute and those retained books and records are subject to audit by State during that period.

3.6.3 AUDITING. Contractor or Subcontractor shall either make all such books and records under subparagraphs 3.6.1 and 3.6.2 available to State at all reasonable times or produce the records at a designated State office on State's demand, the choice of which being at State's discretion. For the purpose of this paragraph, "reasonable times" are during normal business hours and in such a manner so as to not unreasonably interfere with normal business activities.

3.7 Contractor Licenses

Contractor shall maintain current all federal, state and local licenses and permits required for the operation of its business in general, for its operations under the Contract, and, unless expressly stated otherwise in the Special Terms and Conditions, for the Work itself.

3.8 Inspection and Testing

By A.R.S. § 41-2547, State may at reasonable times inspect the part of Contractor's or Subcontractors' plant or places of business related to performance under the Contract. Accordingly, Contractor agrees to permit (for itself) and ensure (for Subcontractors) access for inspection at any reasonable time to its facilities, processes, and services. State may inspect or test, at its own cost, any finished goods, work-in-progress, components, or unfinished materials that are to be supplied under the Contract or that will be incorporated into something to be supplied under the Contract. If the inspection or testing shows non-conformance or defects, then Contractor will owe State reimbursement or payment of all costs it incurred in carrying out or contracting for the inspection and testing, as well as for any re-inspection or re-testing that might be necessary. Neither inspection of facilities nor testing of goods, work, components, or unfinished materials will of itself constitute acceptance by State of those things.

3.9 Ownership of Intellectual Property

3.9.1 RIGHTS IN WORK PRODUCT. Unless otherwise provided for in the Special Terms and Conditions, 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.

(a) "Government Purpose Rights" are:

- i. 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;
- ii. the right to release or disclose that work product to third parties for any State government purpose; and
- iii. 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.



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- (b) "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.

3.9.2 JOINT DEVELOPMENTS. The parties 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.

3.9.3 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 applicable Purchase Orders are not part of the work product to which rights are granted State under subparagraph 3.9.1 above, and will remain the exclusive property of Contractor, provided that:

- (a) any derivative works of such pre-existing material or elements thereof that are created pursuant to the Contract are part of that work product;
- (b) any elements of derivative work of such pre-existing material that was not created pursuant to the Contract are not part of that work product; and
- (c) 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.

3.9.4 DEVELOPMENTS OUTSIDE OF CONTRACT. Unless expressly stated otherwise in the Special Terms and Conditions, the Contract 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.

3.10 Subcontracts

3.10.1 INITIAL LIST. At the time of Contract execution, Contractor's candidate Subcontractors were identified in Attachment 3-C to the Accepted Offer [*Proposed Subcontractors*]. Agreeing to them being included in the Accepted Offer signified Procurement Officer's advance consent for Contractor to enter into a Subcontract with each candidate, which Contractor shall do as promptly as necessary to ensure its ability to carry out the Work in a timely manner.

3.10.2 ADDITIONAL NAMES. Contractor shall not enter into a Subcontract without first obtaining Procurement Officer's written consent with any prospective Subcontractor that (a) was not listed on Attachment 3-C at time of Contract execution or (b) is for any Materials or Services categories other than the ones for which they were previously consented. For either case (a) or (b), Contractor shall submit a written request sufficiently in advance of the need date for those materials or services so that performance under the Contract is not impaired. Procurement Officer may request any additional information he or she determines is necessary to assess the submittal, and may withhold consent pending it.

3.10.3 FLOW-DOWN. Contractor shall incorporate the provisions, terms, and conditions of the Contract into every Subcontract by inclusion or by reference, as appropriate. When making any post-execution consent requests, Contractor shall include its warrant that it will do the same for the pending Subcontracts covered by the request. Entering into Subcontracts will not relieve Contractor of any of its obligations or duties under the Contract, including, among other things, the duty to supervise and coordinate the work of Subcontractors. Nothing contained in any Subcontract will create or is to be construed as creating any contractual relationship between State and the Subcontractor.

3.11 Non-Discrimination

Contractor shall comply with [Arizona] State Executive Order No. 2009-09 and all other applicable federal and state laws, rules, and regulations regarding non-discrimination and equal opportunity, including the Americans with Disabilities Act.

3.12 E-Verify Requirements

As required by A.R.S. § 41-4401, Contractor and each Subcontractor warrants compliance with A.R.S. § 23-214(A) and all federal immigration laws and any regulations relating to the immigration status of their employees. Contractor and each Subcontractor acknowledge that under A.R.S. § 41-4401, State retains the legal right to inspect the



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papers of any Contractor or Subcontractor employee who works under the Contract to ensure that Contractor or Subcontractor is in compliance with the foregoing warranty and understands that a breach of the foregoing warranty under shall be deemed a material breach of the Contract that is subject to penalties up to and including termination of the Contract.

3.13 Offshore Performance of Certain Work Prohibited

Contractor shall only perform those portions of the Services that directly serve State or its clients and involve access to secure or sensitive data or personal client data within the defined territories of the United States. Unless specifically stated otherwise in the Specifications or the Scope of Work, this paragraph does not apply to indirect or overhead services, redundant back-up services, or services that are incidental to performance under the Contract. This provision applies to work performed by Subcontractors at all tiers.

3.14 Orders

3.14.1 ORDER SUFFICIENCY. The Contract was awarded in accordance with the Arizona Procurement Code; the transactions and procedures required by the code for competitive source selection have been met. An Order issued as set forth in the Special Terms and Conditions that cites the correct State contract number will suffice to authorize Contractor to provide the Materials and perform the Services covered by that Order.

3.14.2 ORDER TERMS. All Orders are subject to the Contract Terms and Conditions; an Order cannot modify the Contract Terms and Conditions.

3.14.3 ORDERS ARE OBLIGATORY. Orders equals bond purchase agreement after pricing Put something in Special Terms and Conditions.

3.14.4 SPECIAL CASE. In the special case where both the following conditions are true, Procurement Officer's signature on the Acceptance is Contractor's authorization to perform and therefore no Order is required: (a) the Contract is identified as being a "single-agency/single-project" contract in the Special Terms and Conditions and (b) the Contract was created in ProcureAZ as something other than a "Master/ Blanket" type.

3.14.5 NO MINIMUMS OR COMMITMENTS. Unless expressly stated otherwise in the Special Terms and Conditions: (a) Contractor shall not impose any minimum dollar amount, item count, services volume, or services duration on Orders; (b) State makes no commitment of any kind concerning the quantity or monetary value of activity actually initiated or completed during the term of the Contract; (c) Contractor shall only deliver or perform as authorized by Orders; and (d) State is not limited as to the number of Orders it may issue for the Contract. For clarity of intent, the foregoing applies equally whether an Eligible Agency issues the Order or, if applicable, a Co-Op Buyer issues it.

3.14.6 NON-CONTRACTED MATERIALS OR SERVICES. Any attempt to knowingly represent for sales, marketing, or related purposes that goods or services not specifically awarded are under a State contract is a violation of the Contract and law.

3.15 Statewide Contract Provisions

If the Special Terms and Conditions indicate that the Contract is for statewide use, then the following provisions apply:

1. Contractor shall verify if an ordering entity is a bona fide Co-Op Buyer before selling Materials to or providing Services for them under the Contract. The current list of Co-Op Buyers is available on the State Procurement Office website:

<https://spo.az.gov/procurement-services/cooperative-procurement/state-purchasing-cooperative>

2. Contractor shall sell to Co-Op Buyers at the same price and on the same lead times and other terms and conditions under which it sells to Eligible Agencies, with the sole exception of any legitimately additional costs for extraordinary shipping or delivery requirements if the Co-Op Buyer is having Materials delivered or installed or Services performed at locations not contemplated in the contracted pricing (e.g. delivery to a location outside Arizona).



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3. Contractor shall pay State an administrative fee against all Contract sales to Co-Op Buyers, as provided for under A.R.S. § 41-2633. The fee rate is specified in the Special Terms and Conditions. Failure to remit the administrative fees is a material breach of contract, and will entitle State to its remedies under Article 8 and its right to terminate for default under Article 9. Method of calculation, payment procedures, and other details are provided on the State Procurement Office website:

<https://spo.az.gov/contractor-resources/statewide-contracts-administrative-fee>

4. Contractor shall submit to State a quarterly usage report documenting all Contract sales to both Eligible Agencies and Co-Op Buyers, itemized separately. Contractor shall further itemize divisions, groups or areas within a given Eligible Agency if they place Orders independently of each other. Failure to submit the report is a material breach of contract, and will entitle State to its remedies under Article 8 and its right to terminate for default under Article 9. Contractor shall submit the report using the forms and following the instructions on the State Procurement Office website:

<https://spo.az.gov/contractor-resources/statewide-contracts-administrative-fee>

5. Acknowledgement of each order within one (1) business day;
6. Contractor shall acknowledge each Order from Co-Op buyers in conformance with each buyer's instructions;

3.16 Multiple-Use Provisions

If the Special Terms and Conditions indicate that the Contract is for statewide use, then Eligible Agencies may issue Orders for Services in several forms, all of which become final and effective by a "Release Purchase Order" in ProcureAZ. Orders issued by Co-Op Buyers will be in whatever form the Co-Op Buyer normally uses. Regardless of origin, Orders must cite the State contract number to be valid. State may, at its discretion in each instance, determine the scope, schedule, and price for each Order in any of the following ways:

1. By choosing some or all of the Materials or Services items covered by the Contract for which a price is established in the Commercial Document, then preparing an Order using those prices (e.g., filling out an order form), and sending it to Contractor.
2. By instructing Contractor to provide a comprehensive proposal of item quantities, combinations, etc., or services hours, personnel, etc., for a defined scope using those established prices as a basis, then validating and negotiating the proposal with Contractor and issuing an Order if and when reaching agreement.
3. As described in (2) above but requesting the proposal from both Contractor and other vendors who are contracted within the applicable scope categories and locations, either sequentially or concurrently, then selecting the proposal or proposals combination that is most advantageous to State.
4. As described in (3) above but introducing ad-hoc commercial competition by making the selection and ordering conditional on obtaining more favorable prices than the contractually-established ones.

When evaluating the proposals under (3) and (4) above, State may select based on price (for example, a quoted number of hours times the contracted or improved rate plus a fixed amount for incidentals), by experience and qualifications (for example, having an office nearer the required work location), or whatever combination thereof it determines is most appropriate to the work in question.

3.17 Other Contractors

State may undertake with its own forces or award other contracts to the same or other vendors for additional or related work. In such cases, Contractor shall cooperate fully with State's employees and such other vendors and carefully coordinate, fit, connect,



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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, services, or records to State or the other vendors. Contractor shall not commit or permit any act that interferes with the State's or other vendors' performance of their work, provided that, State shall enforce the foregoing section equitably among all its vendors so as not impose an unreasonable burden on any one of them.

3.18 Work on State Premises

3.20.1 COMPLIANCE WITH RULES. Contractor is responsible for ensuring that its personnel comply with State's rules, regulations, policies, documented practices, and documented operating procedures while delivering or installing Materials or performing Services on State's grounds or in its facilities. For clarity of intent, the foregoing means that if Contractor is required to comply with certain security requirements in order to deliver, install, or perform at that particular location, then it shall do so nonetheless and without entitlement to any additional compensation or additional time for performance if those particular requirements are not expressly stated in the Contract. Contractor is reminded that violation of the prohibition under A.R.S. § 13-1502 against possession of weapons on State's property by anyone for whom Contractor is responsible is a material breach of contract and grounds for termination for default.

3.20.3 PROTECTION OF GROUNDS AND FACILITIES. Contractor shall deliver or install the Materials and perform the Services without damaging any State grounds or facilities. Contractor shall repair or replace any damage it does cause promptly and at its own expense, subject to whatever instructions and restrictions State needs to make to prevent inconvenience or disruption of operations. If Contractor fails to make the necessary repairs or replacements and do so in a timely manner, State will be entitled to exercise its remedies under paragraph 8.5 [*Right of Offset*].

3.19 Advertising, Publishing and Promotion of Contract

Contractor shall not advertise, promote, or otherwise use information concerning the Contract for commercial benefit without the prior written approval of Procurement Officer, which approval Procurement Officer may withhold at his or her discretion.

4.0 Costs and Payments

4.1 Payments

4.1.1 PAYMENT DEADLINE. State shall make payments in compliance with Arizona Revised Statutes Titles 35 and 41. Unless and then only to the extent expressly stated otherwise in the Commercial Document, State shall make payment in full for Materials that have been delivered and accepted and Services that have been performed and accepted within the time specified in A.R.S. § 35-342 after both of the following become true: (a) all of the Materials being invoiced have been delivered or installed (as applicable) and accepted and all of the Services being invoiced have been performed and accepted; and (b) Contractor has provided a complete and accurate invoice in the form and manner called for in the Commercial Document, provided that, State will not make or be liable for any payments to Contractor until Contractor has registered properly in ProcureAZ and provided a current IRS Form W-9 to State unless excused by law from providing one.

4.1.2 PAYMENTS ONLY TO CONTRACTOR. Unless compelled otherwise by operation of law or order of a court of competent jurisdiction, State will only make payment to Contractor under the federal tax identifier indicated on the Accepted Offer.

4.2 Applicable Taxes

4.2.1 CONTRACTOR TO PAY ALL TAXES. State is subject to Arizona TPT. Therefore, Arizona TPT applies to all sales under the Contract and Arizona TPT is Contractor's responsibility (as seller) to remit. Contractor's failure to collect Arizona TPT or any other applicable sales or use taxes from an Eligible Agency or Co-Op Buyer (as buyer) will not relieve Contractor of any obligation to remit sales or use taxes that are due under the Contract or laws. Unless stated otherwise in the Commercial Document, all prices therein include Arizona TPT as well as every other manner of transaction privilege or sales/use tax that is due to a municipality or another state or its political



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subdivisions. Contractor shall pay all federal, state, and local taxes applicable to its operations and personnel.

4.2.2 TAX INDEMNITY. Contractor shall hold State harmless from any responsibility for taxes or contributions, including any applicable damages and interest, that are due to federal, state, and local authorities with respect to the Work and the Contract, as well as any related costs; the foregoing expressly includes Arizona TPT, unemployment compensation insurance, social security, and workers' compensation insurance.

4.3 Availability of Funds

By A.R.S. § 35-154, every State payment obligation under the Contract is conditioned on the availability of funds appropriated for payment of that obligation. If funds are not appropriated and available for continuance of the Contract, State may terminate the Contract at the end of the period for which funds are available, or, at State's discretion, allow appropriate amendment to the Contract. No liability will accrue to State if it exercises the foregoing right or discretion, and State will have no obligation or liability for any future payments or for any damages as a result of having exercised it.

5.0 Contract Changes

5.1 Contract Amendments

The Contract is issued for State under the authority of Procurement Officer. Only a Contract Amendment can modify the Contract, and then only if it does not change the Contract's general scope. Purported changes to the Contract by a person not expressly authorized by Procurement Officer or made unilaterally by Contractor will be void and without effect; Contractor will not be entitled to any claim made under the Contract based on any such purported changes.

5.2 Assignment and Delegation

5.2.1 IN WHOLE. Contractor shall not assign in whole its rights or delegate in whole its duties under the Contract without Procurement Officer's prior written consent, which consent Procurement Officer may withhold at his or her discretion. If Contractor's proposed assignment or delegation stems from a split, sale, acquisition, or other non-merger change in control, then no such consent will be given in any event without the assignee or delegate giving State satisfactory and equivalent evidence or assurance of its financial soundness, competency, capacity, and qualification to perform as that which Contractor possessed when State first awarded it the Contract.

5.2.2 IN PART. Subject to paragraph 3.10 [Subcontracts] with respect to subcontracting, Contractor may assign particular rights or delegate particular duties under the Contract, but shall obtain Procurement Officer's written consent before doing so. Procurement Officer shall not unreasonably withhold consent so long as the proposed assignment or delegation does not attempt to modify the Contract in any way or to alter or impair State's rights or remedies under the Contract or laws.

6.0 Risk and Liability

6.1 Risk of Loss

Contractor shall bear all risk of loss to Materials while in pre-production, production, storage, transit, staging, assembly, installation, testing, and commissioning, if and as those duties are within the scope of the Work, until they have been accepted as conforming by State in the particular location and situation specified in the Order, or as specified generally elsewhere in the Contract if the Order does not provide particulars, provided that, risk of loss for nonconforming Materials will remain with Contractor notwithstanding acceptance to the extent the loss stems from the nonconformance.

6.2 Contractor Insurance

Contractor shall provide the insurance called for in the Special Terms and Conditions.

6.3 Basic Indemnification

6.3.1 CONTRACTOR/VENDOR (NOT PUBLIC AGENCY). To the fullest extent permitted by law, Contractor shall defend, indemnify, and hold harmless State Indemnitees from Indemnified Basic Claims that: (a) are caused or alleged to be caused in whole or in part by the negligent or willful acts or omissions of a Contractor Indemnitor; (b) arise out of or are recovered under worker compensation laws; and/or (c) arise out of a Contractor Indemnitor's failure to conform to any federal, state, or local law, statute,



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ordinance, rule, regulation, or court decree. The parties specifically intend that the Contractor Indemnitors shall indemnify the relevant State Indemnitees from and against Indemnified Basic Claims in all instances except where the Indemnified Basic Claim arises solely from those State Indemnitees' own negligent or willful acts or omissions. Wherever the indemnification under this subparagraph applies, Contractor is responsible for primary loss investigation, defense, and judgment costs for an on behalf of the other Contractor Indemnitors with respect to State Indemnitees, and accordingly Contractor is also responsible for any cooperation, contribution, or subordination between or amongst the Contractor Indemnitors. In consideration of the award of the Contract by a State Indemnatee, Contractor hereby waives all rights of subrogation against State Indemnities for losses arising from the Work.

If Contractor is a public agency, this paragraph does not apply and subparagraph 6.3.2 below applies instead.

6.3.2 PUBLIC AGENCY. Each party (as 'indemnitor') agrees to indemnify, defend, and hold harmless the other party (as 'indemnatee') 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 indemnatee, are caused by the act, omission, negligence, misconduct, or other fault of the indemnitor, its officers, officials, agents, employees, or volunteers.

If Contractor is not a public agency, this paragraph does not apply and subparagraph 6.3.1 above applies instead.

6.4 Patent and Copyright Indemnification

CONTRACTOR/VENDOR (NOT PUBLIC AGENCY). With respect to Materials or Services provided or proposed by a Contractor Indemnitor for performance under the Contract, Contractor shall indemnify, defend and hold harmless State Indemnitees against any third-party claims for liability, costs, and expenses, including, but not limited to reasonable attorneys' fees, for infringement or violation of any patent, trademark, copyright, or trade secret by the Materials and the Services. With respect to the defense and payment of claims under this subparagraph:

1. State shall provide reasonable and timely notification to Contractor of any claim for which Contractor may be liable under this paragraph;
2. Contractor, with reasonable consultation from State, shall have control of the defense of any action on an indemnified claim including all negotiations for its settlement or compromise;
3. State may elect to participate in such action at its own expense; and
4. State may approve or disapprove any settlement or compromise, provided that, (i) State shall not unreasonably withhold or delay such approval or disapproval and (ii) State shall cooperate in the defense and in any related settlement negotiations.

If Contractor is a public agency, this paragraph 6.4 does not apply.

6.5 Force Majeure

6.5.1 DEFINITION. For this paragraph, "force majeure" means an occurrence that is (a) beyond the control of the affected party, (b) occurred without the party's fault or negligence, and (c) something the party was unable to prevent by exercising reasonable diligence. Without limiting the generality of the foregoing, force majeure expressly includes acts of God, acts of the public enemy, war, riots, strikes, mobilization, labor disputes, civil disorders, fire, flood, lockouts, injunctions-intervention-acts, failures or refusals to act by government authorities, and, subject to paragraph 7.8 [*Performance in Public Health Emergency*], declared public health emergencies. Force majeure expressly does not include late delivery caused by congestion at a manufacturer's plant or elsewhere, an oversold condition of the market, late performance by a Subcontractor unless the delay arises out of an occurrence of force majeure, or inability of either Contractor or any Subcontractor to acquire or maintain any required insurance, bonds, licenses, or permits.



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6.5.2 RELIEF FROM PERFORMANCE. Except for payment of sums due, the parties are not liable to each other if an occurrence of force majeure prevents its performance under the Contract. If either party is delayed at any time in the progress of their respective performance under the Contract by an occurrence of force majeure, the delayed party shall notify the other no later than the following working day after the occurrence, or as soon as it could reasonably have been expected to recognize that the occurrence had effect in cases where the effects were not readily apparent. In any event, the notice must make specific reference to this paragraph specifying the causes of the delay in the notice and, if the effects of the occurrence are on-going, provide an initial notification and thereafter the delayed party shall provide regular updates until such time as the effects are fully known. To the extent it is able, the delayed party shall cause the delay to cease promptly and notify the other party when it has done so. The parties shall extend the time of completion by Contract Amendment for a period equal to the time that the results or effects of the delay prevented the delayed party from performing.

6.5.3 EXCUSABLE DELAY IS NOT DEFAULT. Failure in performance by either party will not constitute default hereunder or give rise to any claim for damages or loss of anticipated profits if and to the extent that such failure was or is being caused by an occurrence of force majeure.

6.5.4 DEFAULT DIMINISHES RELIEF. Entitlement to relief from the effects of an occurrence of force majeure is diminished to the extent that the delay did or will result from the affected party's default unrelated to the occurrence, in which case and to that extent the other party's normal remedies and the affected party's obligations would apply undiminished.

6.6 Third Party Antitrust Violations

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

7.0 Warranties

7.1 Liens

Contractor warrants that the Materials and Services when accepted will be and will remain free of liens or other encumbrances.

7.2 Conformity to Requirements

Contractor warrants that, unless expressly provided otherwise elsewhere in the Contract, the Materials and Services will for 1 (one) year after acceptance and in each instance: (1) 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 Contractor affirmations included as part of the Contract; (2) be free from defects of material and workmanship; (3) conform to or perform in a manner consistent with current industry standards; and (4) be fit for the intended purpose or use described in the Contract. Mere delivery or performance does not substitute for express acceptance by State. Where inspection, testing, or other acceptance assessment of Materials or Services cannot be done until after installation, the forgoing warranty will not begin until State's acceptance.

7.3 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 certifications relevant to their work, and Contractor shall provide individual evidence of certification to State's authorized representatives upon request.

7.4 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.



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7.5 Compliance with Laws

Contractor warrants that the Materials and Services do and will continue to comply with all applicable federal, state, and local 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 non-compliance.

7.6 Licenses and Permits

Contractor warrants that it will maintain all licenses required under paragraph 3.7 [*Contractor Licenses*] and all required permits valid and in force.

7.7 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 paragraph 5.2 [*Assignment and Delegation*] that expressly recognizes the event.

7.8 Performance in Public Health Emergency

Contractor warrants that it will:

1. 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: (a) identification of response personnel by name; (b) key succession and performance responses in the event of sudden and significant decrease in workforce; and (c) alternative avenues to keep sufficient product on hand or in the supply chain; and
2. provide a copy of its current plan to State within 3 (three) business days after State's written request. If Contractor claims relief under paragraph 6.5 [*Force Majeure*] 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.

For clarification of intent, being obliged to implement the plan is not of itself an occurrence of force majeure, and Contractor will not be entitled to any additional compensation or extension of time by virtue of having to implement it. Furthermore, failure to have or implement an appropriate plan will be a material breach of contract.

7.9 Lobbying

7.11.1 PROHIBITION.

(a) Contractor warrants that:

- i. it will not engage in lobbying activities, as defined in 40 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
 - ii. 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.
- (b) Contractor shall implement and maintain adequate controls to assure compliance with (a) above.
- (c) Contractor shall obtain an equivalent warranty from all Subcontractors and shall include an equivalent no-lobbying provision in all Subcontracts.

7.11.2 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.

7.10 Survival of Warranties

All representations and warrants made by Contractor under the Contract will survive the expiration or earlier termination of the Contract.

8.0 State's Contractual Remedies

8.1 Right to Assurance

If State in good faith has reason to believe that Contractor does not intend to, or is unable to, perform or continue performing under the Contract, Procurement Officer may



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demand that Contractor promptly provide written assurance of intent to perform. Failure by Contractor to provide the assurance within the time specified may be the basis for terminating the Contract or for State to exercise any other remedy available to it under the Contract or laws.

8.2 Stop Work Order

The State may at any time require Contractor to stop all or any part of the Work by written order. Upon receipt of a stop order, Contractor shall immediately comply with its terms and take all reasonable steps to minimize incurring of further costs during the period of stoppage that might be chargeable to State associated with the portions of the Work covered by the order. If Contractor incurs losses, it may make a claim under Article 10.

8.3 Non-exclusive Remedies

State's rights and remedies under the Contract are not exclusive.

8.4 Nonconforming Tender

The Materials provided and Services performed must comply fully with the Contract, and providing Materials or performing Services or any portion thereof that do not comply fully constitutes a breach of contract, in which event State will be entitled to exercise any remedy available to it under the Contract or laws.

8.5 Right of Offset

State is entitled to offset against any sums due Contractor any expenses or costs State incurs or damages it has assessed against it concerning Contractor's non-conforming performance or failure to carry out the Work, including any expenses, costs, and damages to which it is entitled by the Contract or laws.

9.0 Contract Termination

9.1 Termination for Conflict of Interest

By A.R.S. § 38-511, State may terminate the Contract within 3 (three) years after the effective date without penalty or further obligation if any Person significantly involved in initiating, negotiating, securing, drafting, or creating the Contract on behalf of State is or becomes an employee or agent of any other party to the Contract in any capacity or a consultant to any other party to the Contract with respect to the subject matter of the Contract. Any such termination will be effective when Contractor receives State's written notice of the termination unless the notice specifies a later date.

9.2 Gratuities

State may, by written notice, terminate the Contract, in whole or in part, if State determines that employment or a Gratuity was offered or made by Contractor or a representative of Contractor to any officer or employee of State for the purpose of influencing the outcome of the procurement or the administration of the Contract or any favorable treatment concerning the Contract or performance of the Contract. State, in addition to any other rights or remedies available to it, will be entitled to recover exemplary damages in the amount of 3 (three) times the value of the Gratuity offered by Contractor.

9.3 Suspension or Debarment

State may, by written notice to Contractor, terminate the Contract immediately if State discovers that 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. State has taken Contractor's submittal of the Accepted Offer and will take its performance under the Contract as Contractor's attestation that it is not currently suspended or debarred. If Contractor subsequently becomes suspended or debarred, it shall notify Procurement Officer immediately.

9.4 Termination for Convenience

State may terminate the Contract when in the best interest of State, in whole or in part, at any time, and without penalty or recourse on Contractor's part other than as expressly stated in the Contract. Upon receipt of State's written termination notice, Contractor shall stop work as directed in the notice, notify all Subcontractors of the termination and its effective date, and minimize any further costs that might be chargeable to State. In the event of termination under this paragraph, all documents, data, and reports prepared by Contractor under the Contract will become State's property and Contractor shall deliver it



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all promptly on demand. Contractor will be entitled to receive just and equitable compensation for necessary and attributable unfinished materials on hand, work in progress, work completed, and work accepted before the effective date of the termination, provided that, the cost principles and procedures in A.A.C. R2-7-701 are to be applied.

9.5 Termination for Default

In addition to the rights reserved to it under the Contract, State may terminate the Contract in whole or in part due to Contractor's failure to: (a) comply with any term or condition of the Contract; (b) obtain and maintain all required insurance policies, bonds, licenses, and permits; or (c) make satisfactory progress in carrying out the Work. Procurement Officer shall give written notice of the termination and the reasons for it. Upon termination under this paragraph, all documents, data and reports prepared by Contractor under the Contract and all necessary and attributable unfinished materials on hand, work in progress, work completed, and work accepted will become State's property, and Contractor shall deliver all of it immediately on demand. State may, following termination of the Contract under this paragraph, procure on terms and in the manner it determines to be appropriate materials or services to replace those that were to have been provided or performed by Contractor, and Contractor will be liable to State for any excess cost State incurs in procuring such substitutes.

9.6 Continued Performance Required

Contractor shall continue to perform in accordance with the requirements of the Contract up to the effective date of any termination, as directed by State in the notice.

10.0 Contract Claims

10.1 Claim Resolution

Notwithstanding any law to the contrary, all contract claims or controversies under the Contract are to be resolved according to Arizona Revised Statutes Title 41, Chapter 23, Article 9, and rules adopted thereunder, including judicial review under A.R.S. § 12-1518.

10.2 Mandatory Arbitration

In compliance with A.R.S. § 12-1518, the parties agree to comply in a judicial review proceeding with any applicable, mandatory arbitration requirements.

11.0 General Provisions for Materials

11.1 Applicability

Article 11 applies to the extent the Work is or includes Materials.

11.2 Off-Contract Materials

Contractor shall ensure that the design and/or procedures for the Materials ordering method prevents Orders for off-contract items or excluded items. Notwithstanding that State might have its own internal administrative rules regarding off-contract or excluded item ordering, and endeavors to prevent such orders from occurring, Contractor is responsible for not accepting any such Orders; State may, at its discretion, return any such items under subparagraph 11.17 or cancel any such Order under subparagraph 11.18, in either case being without obligation and at Contractor's expense. As used above, "off-contract item" refers to any product not included in the scope of the Contract and for which no price or compensation has been established contractually, and "excluded item" refers to any product expressly stated in the Contract as being excluded from the Contract.

11.3 Compensation for Late Deliveries

Contractor shall have clear, published policies in place regarding late delivery, order cancelation, discounts, or rebates given to compensate for late deliveries, etc., and make them readily available to those Eligible Agencies, and Co-Op Buyers if applicable, that are likely to need them.

11.4 Indicate Shipping Costs on Order

Contractor shall identify and provide the required substantiating documentation for the amount it intends to add for shipping in the Order acknowledgment if shipping is additional to the contracted price or rate for an item; otherwise, Contractor shall indicate that shipping is included in the Order price (in other words, every Order must indicate



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- clearly whether or not shipping is included in the Order price, and if not included, how much is to be added and why that amount is the correct or appropriate one).
- 11.5 Current Products** Contractor shall keep all products being offered under the Contract: (a) in current and ongoing production; (b) in its advertised product lines; (c) as models or types that are actively functioning in other paying customer environments; and (d) in conformance to the requirements of the Contract.
- 11.6 Maintain Comprehensive Selection** Contractor shall provide at all times the comprehensive selection of products for which a price is established in the Commercial Document for ordering by Eligible Agencies, and Co-Op Buyers if applicable.
- 11.7 Additional Products** State, at its discretion, may modify the scope of the Contract by Contract Amendment to include additional products or product categories so long as they are within the general scope of the ones originally covered by the Contract. Once the Contract Amendment has been fully executed, Contractor shall then update all applicable catalogs and price lists and make them available to all affected entities at no additional cost. Either party may make the request to add products to the Contract; regardless of who makes the request, the parties shall negotiate in good faith a fair price for any additional products, but State may elect not to add some or all of the products in question if no agreement is reached on pricing in a timely manner. Contractor's request or proposal in response to State's request must include: (a) documentation demonstrating that the additional products meet or exceed the specifications for the original products while remaining in the same product groups as the original ones; and (b) documentation demonstrating that the proposed price for the additional products is both fair and reasonable and at the same level of discount relative to market price as were the original ones. Demonstration of (b) typically requires showing how prices at which sales are currently or were last made to a significant number of buyers compare to the prices or discounts (as applicable) being proposed for the additional products.
- 11.8 Discontinued Products** If a product or groups of products covered by the Contract are discontinued by the manufacturer, Contractor shall notify State within 5 (five) business days after receiving the manufacturer's notification. State, at its discretion, will either allow Contractor to provide substitutes for the discontinued products or delete the products from the scope of the Contract, both of which will be accomplished by Contract Amendment. Contractor shall then update all applicable catalogs and price lists and make them available to all affected entities at no additional cost. The parties shall negotiate in good faith a fair price for any substitute product, but State may elect to delete the products from the scope of the Contract if no agreement is reached on substitute pricing in a timely manner. When notifying State of the discontinuance, Contractor shall provide: (a) manufacturer's announcement or documentation stating that the products have been discontinued, with identification by model/part number; (b) documentation demonstrating that the substitute products meet or exceed the specifications for the discontinued products while remaining in the same product groups as were the discontinued ones; and (c) documentation demonstrating that the proposed price for the substitute products is both fair and reasonable and at the same level of discount relative to market price as were the discontinued ones (with demonstration being as described in subparagraph 11.7).
- 11.9 Forced Substitutions** Forced substitutions will not be permitted; Contractor shall obtain State's prior written consent before making any discretionary substitution for any product covered by the Contract.
- 11.10 Recalls** In the event of a recall notice, technical service bulletin, or other important notification affecting a product offered under the Contract (collectively, "recalls" hereinafter), Contractor shall send timely notice to State for each applicable Order referencing the affected Order and product. Notwithstanding whatever protection Contractor might have under A.R.S. § 12-684 with respect to a manufacturer, Contractor shall handle recalls entirely and without obligation on State's part, other than to permit removal of installed products, retrieval of stored products, etc., as necessary to implement the recall.



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11.11 Delivery

11.11.1 PRICING. Unless stated otherwise in the Commercial Document, all Materials prices set forth therein are FCA (seller's dock) Incoterms®2010, with "seller's dock" meaning the last place of manufacturing, assembly, integration, final packing, or warehousing before departure to designated point of delivery to State. For reference, the foregoing is to be construed as equivalent to "F.o.b. Origin, Contractor's Facility" under [FAR 52.247-30](#).

11.11.2 LIABILITY. Unless stated otherwise in the Commercial Document or an Order, Contractor's liability for all Materials is DDP (State-designated receiving point per Order) Incoterms®2010, but with unloading at destination included. For reference, the foregoing is to be construed as equivalent to "F.o.b. Destination, Within Consignee's Premises" under [FAR 52.247-35](#).

11.11.3 PAYMENT. Unless stated otherwise in the Commercial Document or an Order, State shall reimburse Contractor the costs of the difference between DDP (State-designated receiving point per Order) and FCA (seller's dock) with no mark-up, which Contractor shall itemize and invoice separately.

11.12 Delivery Time

Unless stated otherwise in the Commercial Document generally or in the applicable Order particularly, Contractor shall make delivery within 2 (two) business days after receiving each Order.

11.13 Delivery Locations

Contractor shall offer deliveries to every location served under the scope of the Contract, specifically:

1. if the Contract is for a single State agency in a single area, then Contractor shall deliver to any agency location in that area;
2. if the Contract is for a single State agency in all its locations, then Contractor shall deliver to any of that agency's location in Arizona;
3. if the Contract is for statewide use but excludes certain areas, then Contractor shall deliver to any Eligible Agency or Co-Op Buyer location that is not in the excluded areas; and
4. if the Contract is for unrestricted statewide use, then:
 - (a) Contractor shall deliver to any Eligible Agency or Co-Op Buyer anywhere in Arizona;
 - (b) if a prospective Co-Op Buyer outside Arizona wishes to order against the Contract, Contractor agrees to negotiate in good faith any fair and reasonable price or lead time adjustments necessary to serve that location if practicable to do so within the scope of its normal business; and
 - (c) if the Commercial Document indicates defined delivery areas and prices, those always apply unless the Order expressly states otherwise and Contractor accepts it.

11.14 Conditions at Delivery Location

Contractor shall verify receiving hours and conditions (i.e. height/weight restrictions, access control, etc.) with the relevant purchaser for the receiving site before scheduling or making a delivery. State will neither allow extra charges for wait time, comebacks, or the like nor excuse late delivery if Contractor has failed to make the verification or comply with the applicable conditions. Contractor shall make each delivery to the specific location indicated in the Order, which Contractor acknowledges might be inside an industrial building, institutional building, low-rise office building, or high-rise office building instead of a normal receiving dock. Contractor might be required to make deliveries to locations inside a secured perimeter at certain institutional facilities such as prisons where prior clearances are required for each delivery and driver individually. Contractor shall contact each such facility directly to confirm its most-current security clearance procedures, allowable hours for deliveries, visitor dress code, and other applicable rules. State will neither allow extra charges for wait time, comebacks, or the like nor excuse late delivery if Contractor has failed to make the confirmation or comply with the applicable conditions.



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11.15 Materials Acceptance

State has the right to make acceptance of Materials subject to a complete inspection on delivery and installation, if installation is Contractor's responsibility. State may apply as acceptance criteria conformity to the Contract, workmanship and quality, correctness of constituent materials, and any other matter for which the Contract or applicable laws state a requirement, whether stated directly or by reference to another document, standard, reference specification, etc. Contractor shall remove any rejected Materials from the delivery location, or from any immediate environs to which it might have been reasonably necessary to move it, carry it off the delivery premises, and subsequently deliver an equal number or quantity of conforming items. State will not owe Contractor any payment for rejected Materials, and State may, at its discretion, withhold or make partial payment for any rejected Materials that have been returned to Contractor in those instances where State has agreed to permit repair instead of demanding replacement.

11.16 Correcting Defects

Contractor shall, at no additional cost and without entitlement to extension of any delivery deadline or specified time for performance, remove or exchange and replace any defective or non-conforming delivered or installed Materials.

1. Contractor shall be solely responsible for the cost of any associated cutting and patching, temporary protection measures, packing and crating, hoisting and loading, transportation, unpacking, inspection, repacking, reshipping, and reinstallation if installation is within the scope of the Contract.
2. If Contractor fails to do so in a timely manner, State will be entitled to exercise its remedies under paragraph 8.5 [*Right of Offset*] of the Uniform Terms and Conditions.
3. Whether State will permit Contractor to repair in place or demands that Contractor remove and replace is at State's discretion in each instance, provided that, State shall not apply that discretion punitively if repair in place is practicable and doing so would not create safety hazards, put property at risk, unreasonably interfere with operations, create public nuisance, or give rise to any other reasonable concern on State's part.

11.17 Returns

State may, at its discretion, return for full credit and with no restocking charges any delivered Materials unused in the original packaging, including any instruction manuals or other incidental item that accompanied the original shipment, within 30 (thirty) days after receipt. If State elects to return delivered Materials, then State shall pay all freight, delivery, and transit insurance costs to return the products to the place from which Contractor shipped them, provided that, if State returns delivered Materials because they are defective or non-conforming or for any other reason having to do with Contractor fault or error, then State will not be responsible for paying freight, delivery, or transit insurance costs to return the products and may, at its discretion, either have those billed directly to Contractor or offset them under paragraph 8.5 [*Right of Offset*] of the Uniform Terms and Conditions.

11.18 Order Cancellation

State may cancel Orders within a reasonable period after issuance and at its discretion. The same method as that used for ordering will be used for cancellation. If State cancels an Order, then State shall:

1. pay Contractor for any portion of the Materials and Services from that Order that have been properly delivered or performed as of the cancellation effective date plus 1 (one) additional business day;
2. reimburse Contractor for:
 - (a) its actual, documented costs incurred in fulfilling the Order up to the cancellation effective date plus 1 (one) additional business day; and
 - (b) the cost of any obligations it incurred as of the cancellation effective date plus 1 (one) additional business day that demonstrably cannot be canceled, or that have pre-established cancellation penalties specified in the relevant Subcontracts, to the extent the penalties are reasonable and customary for the work in question; and



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3. Contractor shall not charge or be entitled to charge State for any new costs it incurs after receiving the cancellation notice plus 1 (one) business day or for any lost profits or opportunity.

By way of reminder, State is not liable for any products that were produced, shipped, or delivered or any services that were performed before Contractor had acknowledged the corresponding Order.

11.19 Product Safety

Materials as-shipped must comply with applicable safety regulations and standards. Unless expressly stated otherwise in the Scope of Work, State is not responsible for making any Materials safe or compliant following acceptance and is relying exclusively on Contractor to deliver only products that are already safe and compliant.

11.20 Hazardous Materials

Contractor shall timely provide State with any "Safety Data Sheets" (SDS) and any other hazard communication documentation required under the US Department of Labor's Occupational Safety and Health Administration (OSHA) "Hazard Communication Standard" (often referred to as the "HazCom 2012 Final Rule") that is reasonably necessary for State to comply with regulations when it or its other contractors install, handle, operate, repair, maintain or remove any Materials. Note that, in the past, those documents might have been referred to as "Material Safety Data Sheets" or "Product Safety Data Sheets", but State (and this Contract) use only the more up-to-date "SDS" reference. Contractor shall ensure that all its relevant personnel understand the nature of and hazards associated with, to the extent it they are Contractor's responsibility under the Contract, the design, shipping, handling, delivery, installation, repair and maintenance of any portion of the Work that is, contains or will become upon use a hazardous material, with "hazardous material" being any material or substance that is: (1) identified now or in the future as being hazardous, toxic or dangerous under applicable laws; or (2) subject to statutory or regulatory requirement governing special handling, disposal or cleanup.

12.0 General Provisions for Services

12.1 Applicability

Article 12 applies to the extent the Work is or includes Services.

12.2 Comprehensive Services Offering

Contractor shall provide the comprehensive range of services for which a price is established in the Commercial Document for ordering by Eligible Agencies, and Co-Op Buyers if co-op buying applies.

12.3 Additional Services

State at its discretion may modify the scope of the Contract by Contract Amendment to include additional services or service categories that are within the general scope of the ones originally covered by the Contract if it determines that doing so is in its best interest. Once the Contract Amendment is fully executed, Contractor shall then update all applicable price lists and make them available to all affected entities at no additional cost. Either party may make the request to add services to the Contract; regardless of who makes the request, the parties shall negotiate in good faith a fair price for any additional services, but State may elect not to add some or all of the services in question if no agreement is reached on pricing in a timely manner. Contractor's request or proposal in response to State's request must include documentation demonstrating that the proposed price for the additional services is both fair and reasonable and comparable to the original ones.

12.4 Off-Contract Services

Contractor shall ensure that the design and/or procedures for the Services ordering method prevents Orders for off-contract or excluded services. Notwithstanding that State might have its own internal administrative rules regarding off contract or excluded service ordering, and endeavors to prevent such orders from occurring, Contractor is responsible for not accepting any such Orders. State may, at its discretion, cancel any such Order without obligation. As used above, "off-contract service" refers to any service not included in the scope of the Contract and for which no price or compensation has been



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established contractually, and "excluded service" refers to any service expressly excluded from the scope of the Contract.

12.5 Removal of Personnel

Notwithstanding that Contractor is in every circumstance responsible for hiring, assigning, directing, managing, training, disciplining, and rewarding its personnel, State may at its discretion and without the obligation to demonstrate cause instruct Contractor to remove any of its personnel from State's facilities or from further assignment under the Contract. In such cases, Contractor shall promptly replace them with other personnel having equivalent qualifications, experience, and capabilities.

12.6 Transitions

During commencement, Contractor shall attend transition meetings with any outgoing vendors to coordinate and ease the transition so that the effect on State's operations is kept to a minimum. State may elect to have outgoing vendors complete some or all of their work or orders in progress to ease the transition as is safest and most efficient in each instance, even if that scope is covered under the Contract. Conversely, State anticipates having a continued need for the same materials and services upon expiration or earlier termination of the Contract. Accordingly, Contractor shall work closely with any new (incoming) vendor and State to ensure as smooth and complete a transfer as is practicable. State's representative shall coordinate all transition activities and facilitate joint development of a comprehensive transition plan by both Contractor and the incoming vendor. As with the incoming transition, State may permit Contractor (outgoing) to complete work or orders in progress to ease the transition as is safest and most efficient in each instance.

12.7 Accuracy of Work

Contractor is responsible for the accuracy of the Services, and shall promptly make all necessary revisions or corrections resulting from errors and omissions on its part without additional compensation. Acceptance by State will not relieve Contractor of responsibility for correction of any errors discovered subsequently or necessary clarification of any ambiguities.

12.8 Requirements at Services Location

Contractor personnel shall perform their assigned portions of the Services at the specific location indicated in the Order (if applicable). Contractor acknowledges that the location might be inside an industrial building, institutional building, or one of various office types and classes. Additionally, if performing the Services requires Contractor personnel to work inside a secured perimeter at certain institutional facilities such as prisons where prior clearances are required, Contractor shall contact the facility directly to confirm its most-current security clearance procedures, allowable hours for work, visitor dress code, and other applicable rules. State will neither allow extra charges for wait time, comebacks, or the like nor excuse late performance if Contractor has failed to make the confirmation or comply with the applicable conditions.

12.9 Services Acceptance

State has the right to make acceptance of Services subject to acceptance criteria. State may apply as acceptance criteria conformity to the Contract, accuracy, completeness, or other indicators of quality or other matter for which the Contract or law states a requirement, whether stated directly or by reference to another document, standard, reference specification, etc. State will not owe Contractor any payment for un-accepted Services; and State may, at its discretion, withhold or make partial payment for any rejected Services if Contractor is still in the process of re-performing or otherwise curing the grounds for State's rejection.

12.10 Corrective Action Required

Notwithstanding any other guarantees, general warranties, or particular warranties Contractor has given under the Contract, if Contractor fails to perform any material portion of the Services, including failing to complete any contractual deliverable, or if its performance fails to meet agreed-upon service levels or service standards set out in or referred to in the Contract, then Contractor shall perform a root-cause analysis to identify the source of the failure and use all commercially reasonable efforts to correct the failure and meet the Contract requirements as promptly as is practicable.



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1. Contractor shall provide to State a report detailing the identified cause and setting out its detailed corrective action plan promptly after the date the failure occurred (or the date when the failure first became apparent, if it was not apparent immediately after occurrence).
2. State may demand to review and approve Contractor's analysis and plans, and Contractor shall make any corrections State instructs and adopt State's recommendations so far as is commercially practicable, provided that, State may insist on any measures it determines within reason to be necessary for safety or protecting property and the environment.
3. Contractor shall take the necessary action to avoid any like failure in the future, if doing so is appropriate and practicable under the circumstances.

13.0 Data and Information Handling

13.1 Applicability

Article 13 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.

13.2 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 of 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.

13.3 Personally Identifiable Information.

Without limiting the generality of paragraph 13.2, 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-07-16 Safeguarding Against and Responding to the Breach of Personally Identifiable Information*; and
2. "protect" means taking measures to safeguard personally identifiable information and 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://www.whitehouse.gov/sites/default/files/omb/memoranda/fy2007/m07-16.pdf>



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NOTE (2): For convenience of reference only, the GSA directive is available at:

<http://www.gsa.gov/portal/directive/d0/content/658222>

13.4 Protected Health Information

Contractor warrants that, to the extent performance under the 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:

1. 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;
2. 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
3. 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>

14.0 Information Technology Work

14.1 Applicability

Article 14 applies to any Invitation for Bids, Request for Proposals, or Request for Quotations for "Information Technology," as defined in A.R.S. § 41-3501(6) 6: "... 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.

14.2 Background Checks

Each of 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 identify and address verification and undergo State-specified training for unescorted access, confidentiality, privacy, and data security.

14.3 Information Access

- 14.3.1 SYSTEM MEASURES. 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.
- 14.3.2 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 IDs and passwords. Contractor is responsible to 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. Contractor shall on request provide a current register of the access IDs and passwords and corresponding access levels currently assigned to its personnel.



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- 14.3.3 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 by Contractor personnel, or instruct Contractor to restrict access their access, if in its determination the requirements of this subparagraph are not being met.
- 14.4 Pass-Through Indemnity**
- 14.4.1 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 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.
- 14.4.2 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.
- 14.5 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.
- 14.6 Redress of Infringement.**
- 14.6.1 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 item so that they become non-infringing, so long as they continue to function as specified following the modification.
- 14.6.2 CANCELLATION OPTION. In every case under 14.6.1, 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;



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(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 charges, whichever is less.

14.6.3. 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.

14.7 First Party Liability Limitation

14.7.1 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.

14.7.2 PROVISOS. This paragraph 14.7 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 14.7 does not limit liability arising from any:

- (a) Indemnified Claim against which Contractor has indemnified State Indemnitees under paragraph 6.3;
- (b) claim against which Contractor has indemnified State Indemnitees under paragraph 6.4; 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.

14.7.2 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 change orders or other forms of Contract Amendment 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.

14.7.3 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.

14.8 Information Technology Warranty

14.8.1 SPECIFIED DESIGN. Where the Scope of Work (Section 2-A of the Solicitation) 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



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(c) operated in a manner not within its intended use or environment.

14.8.2 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.

14.8.3 PAYMENT HAS NO EFFECT. The warranties in this paragraph are not affected by State's inspection, testing, or payment.

14.9 Specific Remedies

Unless expressly stated otherwise elsewhere in the Contract, State's remedy for breach of warranty under paragraph 14.8 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 at that first called for. For clarification of intent, the foregoing obligations are limited by the limitation of liability in paragraph 14.7. If none of the foregoing options can reasonably be effected, 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.

15.0 Comments Welcome

Separate and apart from this solicitation, the State Procurement Office periodically reviews the Uniform Terms and Conditions and welcomes any comments the public may have.

The public may submit comments to:

State Procurement Administrator,
State Procurement Office, 100 North 15th Avenue, Suite 201
Phoenix, Arizona, 85007

End of Section 3-B

End of Part 3

End of Solicitation Documents

	Request for Proposals Solicitation No. ADSP017-00006973 Description: Managing Underwriting Services	Arizona Department of Administration State Procurement Office 100 N 15th Ave., Suite 201 Phoenix, AZ 85007
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SECTION 3-A: Special Terms and Conditions

Date: **04/25/2017**

MODIFIED or ADDED Provision
APPEND the following to the referenced paragraph: 1.20 Order 1. "Mini-RFP" as defined in Instructions to Offers 1.10 replaces non applicable terms Release, Release Purchase Order, task order, service order, job order and purchase order. Order shall refer to the specific bond underwriting process in which a bond purchase agreement is officially issued after pricing.
APPEND the following to the referenced paragraph: 2.1 Arizona Law The federal laws and regulations scheduled in Exhibit 1 [<i>Supplemental Provisions for Federal Work</i>] apply to the operation and interpretation of the Contract in addition to Arizona law, and take precedence over any Arizona law with respect to interpretation to the extent such precedence is essential to their individual purpose. 2.2 Federal Immigration and Nationality Act Compliance Requirements for A.R.S. § 41-4401, Government Procurement: E- Verify Requirement. The Contractor warrants compliance with all Federal immigration laws and regulations relating to employees and warrants its compliance with Sections A.R.S. § 23-214, Subsection A. (That subsection reads: "After December 31, 2007, every employer, after hiring an employee, shall verify the employment eligibility of the employee through the E-Verify program.")
APPEND the following to the referenced paragraph: 3.14 Orders 3.14.3 Orders are Obligatory; This section of the Uniform Terms and Conditions is not considered applicable given the bond underwriting process.
APPEND the following to the referenced paragraph: 3.15 Statewide Contract Provisions 5. Acknowledgement of each order within one (1) business day; This section of the Uniform Terms and Conditions is not considered applicable given the bond underwriting process.

MODIFIED or ADDED Provision	
APPEND the following to the referenced paragraph:	
3.15	Statewide Contract Provisions
	6. Contractor shall acknowledge each Order from Co-Op buyers in conformance with each buyer's instructions;
This section of the Uniform Terms and Conditions is not considered applicable given the bond underwriting process.	
APPEND the following to the referenced paragraph:	
3.16	Multiple-Use Provision;
	Release Purchase Order is not applicable
This section of the Uniform Terms and Conditions is not considered applicable given the bond underwriting process.	
APPEND the following to the referenced paragraph:	
4.1	Payments
	4.1.1 Payment deadline regarding A.R.S Titles 35 and 41;
This section of the Uniform Terms and Conditions is modified only to the extent that these are not considered applicable.	
APPEND the following to the referenced paragraph:	
4.1	Payments only to Contractor
	4.1.2 Unless compelled otherwise by operation of law or order of a court of component jurisdiction;
This section of the Uniform Terms and Conditions is not considered applicable given the bond underwriting process.	
APPEND the following to the referenced paragraph	
11.12	Delivery Time
This section of the Uniform Terms and Conditions is appended to change the acceptable delivery time from two (2) business days to a verbal award within twenty-four (24) hours.	

MODIFIED or ADDED Provision	
3.1	Term of Contract
REVISE to read "an initial term of one (1) year" for " <i>period specified in the Uniform Terms and Conditions.</i> "	

MODIFIED or ADDED Provision	
3.2	Contract Extensions
REVISE to read " not to exceed four (4) years " for " <i>period specified in the Uniform Terms and Conditions.</i> "	



Request for Proposals
Solicitation No.
1TADSP017-00006973
Description:
Managing Error! Reference source not found.

Arizona Department of Administration
State Procurement Office
100 N 15th Ave., Suite 201
Phoenix, AZ 85007

MODIFIED or ADDED Provision

APPEND the following to the referenced paragraph:

3.14-S1 USE OF THE CONTRACT. The Contract is to be used as follows (indicated by the “●” mark):

☐	The Contract is a “single-agency/single-use” contract for the exclusive use of agency for a single purchase, project, or assignment (referred to internally as “Underwriting Services”).
☒	The Contract is a “statewide” contract for multiple purchases, projects, or assignments, and can be purchased against by some or all Eligible Agencies and any Co-Op Buyers that elect to participate. Even if only one Eligible Agency needs or elects to purchase against the Contract, it is to be construed as being a “statewide” contract hereunder. The Contract is an indefinite delivery, indefinite quantity (ID/IQ) type of contract; it is to be construed as a “delivery order” sub-type of ID/IQ contract to the extent the Work is Materials, and a sub-type to the extent the Work is Services (Subpart 16.5 of the Federal Acquisition Regulation provides reference explanations).

MODIFIED or ADDED Provision

APPEND the following to the referenced paragraph:

3.14 *Orders, continued*

3.14-S2 ORDERING METHODS. Unless a particular ordering method is specified in the Commercial Document, Contractor shall receive Orders by the methods indicated by an “●” mark below.

3.14-S2(a) The choice of method in each instance will be at the discretion of each Eligible Agency or Co-Op Buyer if more than one method applies to the Contract.

3.14-S2(b) Contractor shall bear the responsibility for and costs of set-up, maintenance, and support for the indicated methods; The or Co-Op Buyer will not be liable for any separate set-up, service or system maintenance charges on top of the contractual item prices unless expressly stated otherwise in the Commercial Document.

☒	Online through ProcureAZ by “releasing” established Contract “Items.”
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MODIFIED or ADDED Provision

APPEND the following to the referenced paragraph:

3.14 *Orders, continued*

3.14-S3 EXCLUSIVITY. Exclusivity of scope or location applies as indicated by the “●” mark below:

☒	The Contract has been awarded with the understanding and agreement that it is for the sole convenience of State, and State reserves the right to obtain like materials or services from another source when necessary without penalty or obligation.
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MODIFIED or ADDED Provision

APPEND the following to the referenced paragraph:

6.2 Insurance

6.2-S1 Contractor shall provide the insurance specified in Exhibit 1 to these Special Terms and Conditions for each "Insurance Package" (Tables A-E) and "Add-On" (Table F) indicated by a "●" mark in the table below.

6.2-S2 Subcontractors shall provide insurance equivalent to what is required from Contractor at **100% (one hundred percent)** of Contractor's required minimums for all coverages other than Damage to Rented Premises, which is unchanged if that coverage applies to the Contract.

Scope Category	Applicable to Contract	Insurance Package ID	Add-Ons									
			X.01 - SAM	X.02 - Airport	X.03 - Janitor	X.04 - Security	X.05 - Money	X.06 - Install	X.07 - Garage	X.08 - Aircraft	X.09 - HazMat	X.10 - EMT
Professional Services	●	A.1.1	☐	☐	☐	☐	●	☐	☐	☐	☐	☐
	☐	A.1.2	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
General Services; Materials	☐	A.2.1	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
	☐	A.2.2	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Elevator Maintenance	☐	A.3	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Small Events	☐	B.1	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Large Events; Rides; Races	☐	B.2	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Fireworks Displays	☐	B.3	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Environmental Svcs and Consulting	☐	C.1	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Master Environmental Services	☐	C.2	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Abatement and Remediation Work	☐	C.3	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Disposal, Recycling or Storage Facilities	☐	C.4	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Hazardous Material Hauling	☐	C.5	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

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Scope Category	Applicable to Contract	Insurance Package ID	Add-Ons									
			X.01 - SAM	X.02 - Airport	X.03 - Janitor	X.04 - Security	X.05 - Money	X.06 - Install	X.07 - Garage	X.08 - Aircraft	X.09 - HazMat	X.10 - EMT
Off-Site Control of Hazardous Waste	☐	C.6	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Information Technology	☐	D.1	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Media Services	☐	D.2	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Large Construction	☐	E.1	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Small Construction	☐	E.2	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Trade Construction	☐	E.3	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

Indemnification Clause

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

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

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Insurance Requirements

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

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

1. Commercial General Liability (CGL) – Occurrence Form

Policy shall include bodily injury, property damage, and broad form contractual liability coverage.

- General Aggregate \$2,000,000
- Products – Completed Operations Aggregate \$1,000,000
- Personal and Advertising Injury \$1,000,000
- Damage to Rented Premises \$50,000
- Each Occurrence \$1,000,000

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

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

2. Business Automobile Liability

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

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- Combined Single Limit (CSL) \$1,000,000
- a. Policy shall be endorsed, as required by this written agreement, to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by, or on behalf of, the Contractor involving automobiles owned, hired and/or non-owned by the Contractor.
- b. Policy shall contain a waiver of subrogation endorsement as required by this written agreement in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

3. Workers' Compensation and Employers' Liability

- Workers' Compensation Statutory
- Employers' Liability
- o Each Accident \$1,000,000
- o Disease – Each Employee \$1,000,000
- o 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 or Independent Contractor).

4. Professional Liability (Errors and Omissions Liability)

- Each Claim \$2,000,000
- Annual Aggregate \$2,000,000
- a. In the event that the Professional Liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract and, either continuous coverage will be maintained, or an extended

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discovery period will be exercised, for a period of two (2) years beginning at the time work under this Contract is completed.

b. The policy shall cover professional misconduct or negligent acts for those positions defined in the Scope of Work of this contract.

5. Network Security (Cyber) and Privacy Liability

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

a. Such insurance shall include, but not be limited to, coverage for third party claims and losses with respect to network risks (such as data breaches, unauthorized access or use, ID theft, theft of data) and invasion of privacy regardless of the type of media involved in the loss of private information, crisis management and identity theft response costs. This should also include breach notification costs, credit remediation and credit monitoring, defense and claims expenses, regulatory defense costs plus fines and penalties, cyber extortion, computer program and electronic data restoration expenses coverage (data asset protection), network business interruption, computer fraud coverage, and funds transfer loss.

b. In the event that the Network Security and Privacy Liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract and, either continuous coverage will be maintained, or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.

c. 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.

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

Additional Insurance Requirements

The policies shall include, or be endorsed to include, as required by this written agreement, the following provisions:

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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.

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 State of Arizona 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 (State Representative's Name, Address & Fax Number).

Acceptability of Insurers

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

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.

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All certificates required by this Contract shall be sent directly to the Department. The State of Arizona project/contract number and project description shall be noted on the certificate of insurance. The State of Arizona reserves the right to require complete copies of all insurance policies required by this Contract at any time.

Subcontractors

Contractor's certificate(s) shall include all subcontractors as insureds under its policies or Contractor shall be responsible for ensuring and/or verifying that all subcontractors have valid and collectable insurance as evidenced by the certificates of insurance and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum Insurance Requirements identified above. The Department reserves the right to require, at any time throughout the life of this contract, proof from the Contractor that its subcontractors have the required coverage.

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.

Exceptions

In the event the Contractor or subcontractor(s) is/are a public entity, then the Insurance Requirements shall not apply. Such public entity shall provide a certificate of self-insurance. If the Contractor or subcontractor(s) is/are a State of Arizona agency, board, commission, or university, none of the above shall apply.

EXHIBITS to the Special Terms and Conditions

Exhibits 1 and 2 apply as described above. The other Exhibits (if any are listed) apply to those portions of the Work the Exhibit covers. For example, an Exhibit providing supplemental provisions for federal work applies to any portions of the Work that are federally-funded, and an Exhibit providing supplemental provisions for privacy protection applies to any portions of the Work that involve handling of protected or private information.

- **Exhibit 1 ... Supplemental Provisions for Privacy Protection**
Bound separately, 4 pages, dated 05/20/2017
- **Exhibit 2 ... Supplemental Provisions for Services Disentanglement**
Bound separately, 3 pages, dated 02/07/2017

End of Section 3-A

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FOR USE IN ANY INVITATION FOR BIDS, REQUEST FOR PROPOSALS, OR REQUEST FOR QUOTATIONS,
AS WELL AS REQUEST FOR QUALIFICATIONS UNDER A.R.S. § 41-2558

EXHIBIT 2 to the Special Terms and Conditions: Supplemental Provisions for Privacy Protection

Date: 02/07/2017

1. DEFINITIONS

Capitalized terms have the meanings given to them in the Uniform Terms and Conditions, especially paragraph 7.5 [*Data Protection and Confidentiality of Information*].

2. USE AND DISCLOSURE OF PHI/ePHI

Business Associate shall use and/or disclose PHI/ePHI only to the extent necessary to satisfy Business Associate's obligations under the Contract.

3. UNAUTHORIZED USE OR DISCLOSURE OF PHI/ePHI

Business Associate shall not use or disclose any PHI/ePHI received from or on behalf of State except as permitted or required by the Contract, law, or in writing by the State.

4. BUSINESS ASSOCIATE'S OPERATIONS

Business Associate may use PHI/ePHI it creates or receives for or from State only to the extent necessary for Business Associate's proper management and administration or to carry out Business Associate's legal responsibilities. Business Associate may disclose such PHI/ePHI as necessary for Business Associate's proper management and administration or to carry out Business Associate's legal responsibilities only if:

- (a) the disclosure is required by law; or
- (b) Business Associate obtains reasonable assurances from any person or organization to whom Business Associate discloses such PHI/ePHI that it will:
 - i. hold such PHI/ePHI in confidence and only use or further disclose it for the purpose for which Business Associate disclosed it or as required by law; and
 - ii. notify Business Associate, who shall in turn promptly notify State, of any instance of which the person or organization becomes aware in which the confidentiality of such PHI/ePHI was breached.

5. DATA AGGREGATION SERVICES

Business Associate may use PHI/ePHI to provide data aggregation services related to State's healthcare operations.

6. PHI/ePHI SAFEGUARDS

Business Associate shall develop, implement, and maintain appropriate safeguards to prevent the improper use or disclosure of any PHI/ePHI received from or on behalf of State.

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7. ePHI SECURITY AND INTEGRITY

Business Associate shall develop, implement, and maintain appropriate administrative, technical, and physical security measures in compliance with Section 1173(d) of the Social Security Act, (Title 42, Section 1320.d-2(d) of the United States Code) and CFR 45-164.314(a)(2) to preserve the integrity and confidentiality of all electronically maintained or transmitted ePHI received from or on behalf of State pertaining to an Individual; Business Associate shall document and keep the security measures current.

8. ELECTRONIC TRANSACTIONS

If Business Associate conducts any Standard Transaction for or on behalf of State, Business Associate shall comply, and shall require any subcontractor or agent conducting such Standard Transaction to comply, with each applicable requirement of CFR 45-162.

9. SUBCONTRACTORS AND AGENTS

Business Associate shall require each of its subcontractors or agents to whom Business Associate provides PHI/ePHI received from, created by, or received by Business Associate on behalf of State to agree to at least the same obligations to protect such PHI/ePHI as are imposed on Business Associate by the Contract.

10. ACCESS TO PHI/ePHI

Business Associate shall provide access to State or a requesting Individual to PHI/ePHI in a Designated Record Set to meet the requirements of CFR 45-164.E.524 and applicable state laws. Business Associate shall provide access in a reasonable time and manner consistent with State's health information privacy and security policies and procedures.

11. AMENDING PHI/ePHI

Business Associate shall make any amendments to PHI/ePHI in a Designated Record Set that State directs or agrees to pursuant to CFR 45-164.E.526 at the request of the State or a requesting Individual in a reasonable time and manner consistent with State's health information privacy and security policies and procedures.

12. ACCOUNTING OF DISCLOSURES OF PHI/ePHI

Business Associate shall document disclosures of PHI/ePHI and information related to such disclosures as are required for State to respond to a request by an Individual for an accounting of disclosures of PHI/ePHI in accordance with CFR 45-164.E.528. Business Associate shall provide State or the Individual, in a reasonable time and manner consistent with State's health information privacy and security policies and procedures, information collected in accordance with the Contract to permit State to respond to a request by an Individual for the required accounting of disclosures of PHI/ePHI.

13. ACCESS TO BOOKS AND RECORDS

Business Associate shall make its internal practices, books, and records relating to the use and disclosure of PHI/ePHI received from or on behalf of State available to the U.S. Department of Health and Human Services ("DHHS") or its designee if DHHS so requires to determine State's compliance with the Privacy Rule.

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14. REPORTING

Business Associate shall report to State any use or disclosure of PHI/ePHI not authorized by the Contract, or in writing by State of which it becomes aware. Business Associate shall make the report to State's Privacy Official within twenty-four (24) hours after it learns of the unauthorized use or disclosure. Business Associate's report must contain identification of:

- (a) the nature of the unauthorized use or disclosure;
- (b) the PHI/ePHI used or disclosed;
- (c) who made the unauthorized use;
- (d) who received the unauthorized disclosure;
- (e) what Business Associate has done or will do to mitigate any deleterious effect of the unauthorized use or disclosure;
- (f) what corrective action Business Associate has taken or will take to prevent future similar unauthorized use or disclosure; and
- (g) such other information as may be reasonably requested by State's privacy officer.

15. MITIGATION

Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI/ePHI by Business Associate in violation of the requirements of the Contract.

16. TERMINATION FOR CAUSE

Upon State's learning of a material breach by Business Associate of the terms of this paragraph, State shall:

- (a) provide an opportunity for Business Associate to cure the breach or end the violation and terminate the Contract if Business Associate does not cure the breach or end the violation within the time specified by State;
- (b) immediately terminate the Contract if Business Associate has breached a material term of the Contract and cure is not possible; and
- (c) if neither termination nor cure is feasible, report the violation to DHHS.

17. RETURN OR DESTRUCTION OF INFORMATION

Except as provided below, upon termination, cancellation, expiration, or other conclusion of the Contract, Business Associate shall return to State or destroy all PHI/ePHI received from State, or created or received by Business Associate on behalf of State. This provision shall apply equally to PHI/ePHI that is in the possession of subcontractors or agents of Business Associate. Except as provided below, Business Associate shall retain no copies of the PHI/ePHI. In the event that Business Associate reasonably determines that returning or destroying the PHI/ePHI is not feasible, Business Associate shall extend the protections of the Contract to such PHI/ePHI and limit further uses and disclosure of PHI/ePHI to those purposes that make the return or destruction not feasible, for so long as Business Associate maintains such PHI/ePHI.

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18. STATE'S DUTIES

State shall:

- (a) provide Business Associate with the notice of privacy practices that the State produces in accordance with Title 45, Part 164, Subpart E, Section 164.520, as well as any changes to that notice;
- (b) provide Business Associate with any changes in, or revocation of, permission by an Individual to use or disclose PHI/ePHI if such changes affect Business Associate's permitted or required uses and disclosures;
- (c) notify Business Associate, in writing, of any restriction to the use of disclosure of PHI/ePHI that the State has agreed to in accordance with Title 45, Part 164, Subpart E, Section 164.522;
- (d) provide to, or request from, Business Associate only the minimum PHI/ePHI necessary for Business Associate to perform or fulfill a specific function required or permitted hereunder; and
- (e) not request Business Associate to use or disclose PHI/ePHI in any manner that would not be permissible under HIPAA if done by the State.

19. AUTOMATIC AMENDMENT

Upon the effective date of any amendment to the regulations promulgated by DHHS with respect to PHI/ePHI, the Contract shall automatically amend such that the obligations imposed on Business Associate as a Business Associate remain in compliance with such regulations.

20. ASSISTANCE UPON TERMINATION

When the term of the Contract ends or if the Contract is terminated with or without cause, Contractor, whenever determined appropriate by State, shall assist State in the transition of services to other vendors or State's own personnel. Such assistance and coordination shall include but not be limited to the forwarding of Contract works, electronic files, and other records to assure the smoothest possible transition and continuity of services. The cost of reproducing and forwarding such records and other materials shall be borne by Contractor. Contractor must make provisions for continuing all performance under the Contract, to include management/ administrative services, until the transition of services is complete and all other requirements of the Contract are satisfied.

End of Exhibit

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FOR USE IN ANY INVITATION FOR BIDS, REQUEST FOR PROPOSALS, OR REQUEST FOR QUOTATIONS,
AS WELL AS REQUEST FOR QUALIFICATIONS UNDER A.R.S. § 41-2558

EXHIBIT 3 to the Special Terms and Conditions: Supplemental Provisions for Services Disentanglement

Date: **02/07/2017**

1. General

- 1.1 Further to the “transitions” described generally elsewhere in Special Terms and Conditions, the term “disentanglement” is used in this subparagraph to describe a complete transition of some or all of the Services to or from Contractor to another vendor in the event of expiration or earlier termination of the Contract. Contractor shall, for its part, make every effort to ensure that any necessary disentanglement is carried out with the minimum of adverse effect on State's operations or those elements of the public for whose benefit the Services are being performed.
- 1.2 If either State, Contractor, or the other vendor (whether incoming or outgoing) becomes of the considered opinion that the specified transition period duration is insufficient to ensure the necessary, effective, and efficient hand-over, then it shall so notify the other two parties immediately and provide the detailed basis for its opinion. If and to the extent that actions or inactions of either State or the other vendor form the reasons for the specified duration not being sufficient, then State shall reimburse Contractor for its actual and documented incremental, additional costs incurred to the extent attributable to the extended duration.
 - 1.2.1 If and to the extent that Contractor's actions or inactions form the reasons for the specified duration not being sufficient, then State will be entitled to exercise its remedies under paragraph 8.5 [*Right of Offset*] of the Uniform Terms and Conditions to recover its own and the other vendor's incremental, additional costs incurred to the extent attributable to the extended duration.
 - 1.2.2 If and to the extent that none of the three parties' actions or inactions are plainly the cause of the extended duration, then each will bear its own costs separately and without recourse to the others.

2. Contractor as Incoming Vendor

- 2.1 When Contractor is the incoming vendor, Contractor's personnel shall perform in tandem with and overlapping the assignments of the outgoing vendor's personnel during the agreed transition period.
 - 2.1.1 Unless expressly specified otherwise in the Scope of Work or the Commercial Document, the transition duration will be **90 (ninety)** days starting **90 (ninety)** days before the scheduled expiration of the Contract or **60 (sixty)** days after earlier termination of the Contract starting on the termination notification date; and
 - 2.1.2 Contractor's costs of salary and expense for personnel while engaged in the transition are accounted for and included in the prices or rates set forth in the Commercial Document, and Contractor shall not bill State for those separately.

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- 2.2 When Contractor is the incoming vendor, Contractor shall, if State so directs:
- a) receive the program--related, project--related, or scope-related records from the outgoing vendor directly; and
 - b) receive the appropriate indexing, cataloging, and user assistance so that Contractor can make immediate use of the records as efficiently as possible.

3. Contractor as Outgoing Vendor

- 3.1 When Contractor is outgoing vendor, Contractor's personnel shall perform in tandem with and overlapping the assignments of the incoming vendor's personnel during the agreed transition period.
- 3.2 When Contractor is outgoing vendor, Contractor shall, so long as they remain in its employ, make its personnel who were key personnel or who filled subject matter expert roles under the Contract available by telephone or email to answer project-related or scope-related questions for a reasonable period after the formal transition is complete. Unless expressly specified otherwise in the Scope of Work or the Commercial Document, Contractor's costs of salary and expense for personnel while providing that assistance are accounted for and included in the prices or rates set forth in the Commercial Document, and Contractor shall not bill State for those separately.
- 3.3 When Contractor is outgoing vendor, Contractor shall, if State so directs:
- a) hand-off its program-, project- or scope-related records to the incoming vendor directly; and
 - b) provide appropriate indexing, cataloging, and user assistance to the incoming vendor's personnel so that they can make immediate use of the records as efficiently as possible.
- 3.4 Unless expressly specified otherwise in the Scope of Work or the Commercial Document, Contractor's costs of providing the aids and assistance under paragraph 3.3 are accounted for and included in the prices or rates set forth in the Commercial Document, and Contractor shall not bill State for those separately.

4. Systems

- 4.1 If the Services include development or deployment of any systems, then unless expressly specified otherwise in the Scope of Work, Contractor shall provide State as part of the transition:
- a) uninterrupted access to and maintenance and support for any functionalities that are in deployment or production state at the time;
 - b) a timetable or schedule for migrating front-end, back-end, and data from Contractor to State or the incoming vendor; and
 - c) a pro-rata adjustment of any maintenance fees for any commercial-off-the-shelf software that are to be transitioned.
- 4.2 If the Services include development or deployment of any systems and if indicated in the Scope of Work that State will take on operation or support of the system with its own forces, then unless expressly specified otherwise in the Scope of Work, Contractor shall provide State with a take-over plan that sets out:

Supplemental Provisions for Services Disentanglement

Date date: **0T02/07/20170T**

Version: 1.2 (06/15/2016)

EXHIBIT 3 to the Special
Terms and Conditions:

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Exhibit

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- a) the training and experience requirements and requisite skills for the transition technical planning and support sub-team, application development sub-team, production support sub-team, and any other sub-teams necessary to effect a successful take-over;
- b) the estimated staffing by role State will require to adequately operate or support the system long-term;
- c) the mandatory and recommended training by role (e.g., database administrator, business analyst, system developer) covering the business processes, system specific processes, and applicable toolsets, and
- d) how assigned State staff will be paired with Contractor key personnel during system development, implementation, and transition.

End of Exhibit

Attachment 4 – Supplement #1: Breakdown of Expenses

RBCCM's assumptions used in producing the schedule of underwriting spread components in Attachment 4 are as follows:

<u>ITEM</u>	<u>ASSUMED REVENUE BOND ISSUE</u>		
	<u>\$10MM</u>	<u>\$50MM</u>	<u>\$200MM</u>
MANAGEMENT FEE	-0-	-0-	-0-
UNDERWRITING FEE	-0-	-0-	-0-
CLEARANCE RELATED EXPENSES (1)	\$0.31	\$0.25	\$0.20
OUT OF POCKET EXPENSES (2)	1.00	0.40	0.13
SUBTOTAL	1.31	0.65	0.33
AVERAGE TAKEDOWN	6.25	5.00	4.30
TOTAL	<u>\$7.56</u>	<u>\$5.65</u>	<u>\$4.63</u>

(1) BREAKDOWN OF CLEARANCE-RELATED EXPENSES:

<u>ITEM</u>	<u>ASSUMED REVENUE BOND ISSUE</u>		
	<u>\$10MM</u>	<u>\$50MM</u>	<u>\$200MM</u>
DALCOMP CHARGES	\$0.08	\$0.08	\$0.08
FEDERAL FUNDS COST	0.03	0.03	0.03
CUSIP/DTC CHARGES	0.10	0.07	0.04
MISCELLANEOUS	0.10	0.07	0.05
TOTAL CLEARANCE	<u>\$0.31</u>	<u>\$0.25</u>	<u>\$0.20</u>

(2) OUT-OF-POCKET EXPENSES SHOWN REFLECT ONLY THE COST FOR UNDERWRITER'S COUNSEL FEES:

- \$10,000 for assumed \$10MM issue
- \$20,000 for assumed \$50MM issue
- \$25,000 for assumed \$200MM issue

RBCCM's fees as outlined above assume tax-exempt, non-transportation revenue bonds or certificates being sold are high investment grade obligations of existing State credits or debt issuance programs. Average takedowns shown are for both sales to retail and institutional investors as we believe it is generally unnecessary to have differing takedowns for the State's existing credit offerings. The average takedowns shown also assume the proposed \$10 million issue is sole managed, the \$50 million issue has no more than one co-manager and RBCCM's liability and the designation policy is at least 70%, and the \$200 million issue has no more than three co-managers and RBCCM's liability and the designation policy is at least 60%.

The above prices assume a tax-exempt debt issuance. Fees for any financings or ancillary requirements not consistent with the above assumptions (including new issue structures, refundings, taxable credits, conduit financings, escrow bidding costs, offering document preparation, etc.) would be as determined in consultation with the authorizing agency or financing entity.