



**Request for Proposal
under A.R.S. § 41-2534
Notice Page**



Solicitation Number:

BPM007546 / YH26-0005

Description:

Secured Behavioral Health Residential Facility (S-BHRF)

Solicitation Due Date and Time:

January 1, 2027, 3:00pm Arizona Time

Pre-Offer Conference:

N/A

Proposals will only be accepted **online** in the “**State’s eProcurement System**”, **Arizona Procurement Portal (APP)**, at <https://app.az.gov> until the “**Bid/Offer Due Date**” indicated in the “**State’s eProcurement System**” for the **Solicitation No. shown at the top of this page**. Proposals must be in the State Procurement Office’s possession online no later than that deadline.

Submit technical inquiries about navigating and/or submitting proposals in the State’s eProcurement System to the State’s eProcurement System Help Desk by phone at (602) 542-7600, option 2; or by email to app@azdoa.gov.

LATE PROPOSALS WILL NOT BE CONSIDERED. No extension or grace period will be given for delays or incomplete proposals caused by internet connectivity problems, file uploading difficulties, or misunderstanding of the requirements or procedures for online submission in the “State’s eProcurement System”.

It is the responsibility of the Prospective Offeror to routinely check the APP website for Solicitation Amendments. Additional instructions for preparing an Offer are included in this solicitation.

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



Table of Contents
Request for Proposal under A.R.S. § 41-2534
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



Notice Page

Table of Contents

Solicitation Summary	3
Scope of Work	5
Special Terms and Conditions	14
Addendum A to the Special Terms and Conditions	32
Uniform Terms and Conditions 10.5	37



Solicitation Summary
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



[Solicitation Summary](#)

1. What is the State Soliciting?

Under A.R.S. § 41-2501 *et seq.*, the Arizona Health Care Cost Containment System (AHCCCS) (or the “State”) is seeking to establish one or more single-agency Contracts to provide Secured Behavioral Health Residential Facility (S-BHRF) Services.

The State anticipates awarding one or more contract(s). Whether or not it actually enters into any contracts, how many contracts it enters into, and how the work is awarded between those contracts are all at the State’s discretion. Furthermore, the State will use any awarded contracts on an as-needed basis, with no guarantee as to its actual spending under them.

The State reserves the right to accept any item or combination of items specified in the Solicitation, unless the Offeror expressly restricts an item or combination of items in its Offer, and conditions its response on receiving all items for which it provided a proposal. In the event of such restriction, the State will evaluate if an award on such a basis will result in the best value and is in the best interest for the State. The State may otherwise determine, at its sole discretion, that such restriction is non-responsive and deem the Offeror ineligible for further evaluation.

AHCCCS is required to publish a Request for Proposals (RFP) for S-BHRFs on or before May 1, 2026, pursuant to *Arizona Senate Bill 1735* (S.B. 1735). Due to ongoing changes in licensure rules and procurement details, this RFP may be amended on more than one occasion. Interested parties may submit questions to the email address identified in this RFP. Please note that certain topics may not be answerable at this time due to items that remain under development; AHCCCS will publish updates and clarifications through formal amendments when such information is finalized.

2. What is in the Solicitation?

2.1. At the time of publication, the following documents are included in the Solicitation:

2.1.1. Attachment: BPM007546 Solicitation Requirements

- 2.1.1.1. Notice / Cover Page
- 2.1.1.2. Table of Contents
- 2.1.1.3. Solicitation Summary
- 2.1.1.4. Scope of Work
- 2.1.1.5. Special Terms and Conditions
- 2.1.1.6. Addendum A to the Special Terms and Conditions
- 2.1.1.7. Uniform Terms and Conditions

	Solicitation Summary Request for Proposal Solicitation No. BPM007546 Secured Behavioral Health Residential Facility YH26-0005	
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2.1.2. Attachment: BPM007546 Solicitation Instructions

- 2.1.2.1. Special Instructions to Offerors
- 2.1.2.2. Standard Instructions to Offerors (RFP)

2.1.3. Solicitation Attachments

- 2.1.3.1. Attachment A - Offer and Acceptance
- 2.1.3.2. Attachment B - Confidential Information Designation
 - Confidential Information Designation (for reference only)
- 2.1.3.3. Attachment C - Conformance Statements and Exceptions Requests
- 2.1.3.4. Attachment D - Experience and Capacity Response
- 2.1.3.5. Attachment E - Method of Approach
- 2.1.3.6. Attachment F - Letter of Insurability
- 2.1.3.7. Attachment G - Key Personnel
- 2.1.3.8. Attachment H - Organization Profile
- 2.1.3.9. Attachment I - Proposed Subcontractors
- 2.1.3.10. Attachment J – Budget and Pricing

- 2.2. The State may issue a Solicitation Amendment at any time after Solicitation publication and before the Offer due date. It is the responsibility of the Prospective Offeror to routinely check the APP website for any Solicitation Amendments and revised documents.

	Scope of Work Request for Proposal Solicitation No. BPM007546 Secured Behavioral Health Residential Facility YH26-0005	
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Scope of Work

1. Project Background

Arizona’s behavioral health system serves individuals with Serious Mental Illness (SMI) who may experience substantial and persistent symptoms, cooccurring substance use disorders, or significant functional impairment. While most individuals on Court Ordered Treatment (COT) can be safely and effectively served in community-based settings, a limited subset demonstrate chronic resistance to treatment, high frequency of relapse and crisis utilization, and ongoing risks that cannot be managed in traditional residential or outpatient programs. These individuals often encounter complex challenges such as repeated psychiatric hospitalizations, homelessness or unstable housing, legal involvement, and difficulty maintaining treatment adherence.

To meet the needs of this subset of individuals on COT, the Legislature passed A.R.S. § 36-425.06, creating the statutory framework for SBHRFs, which are specialized treatment settings designed to provide secure, twenty-four (24) hour care in a least restrictive environment for individuals approved for placement by court order under A.R.S. § 36-550.09. These facilities address a long-recognized gap between community-based treatment and inpatient psychiatric hospitalization by providing a setting where individuals who are chronically resistant to treatment can stabilize, engage in treatment, and eventually transition to less restrictive care settings.

Statute limits SBHRFs to sixteen (16) beds and restricts admission solely to individuals placed under Title 36 or, in separately licensed facilities, individuals committed under A.R.S. § 13-4521 (Title 13). These populations cannot be served in the same facility concurrently. Because AHCCCS regulates service delivery only for Title 36 SBHRFs and does not regulate Title 13 SBHRFs, this RFP applies exclusively to the Title 36 population.

2. Purpose

AHCCCS is issuing this RFP to support the development of SBHRFs authorized under A.R.S. § 36-425.06, using the \$5 million appropriated in the SFY 2025–2026 General Appropriations Act for this purpose.

SBHRFs will provide secure, twenty-four (24) hour on-site supportive treatment and supervision for individuals who are placed pursuant to a court order under A.R.S. § 36-550.09, upon the recommendation of the treatment team, following a finding that the person:

- Meets criteria for SMI designation;
- Is chronically resistant to treatment as defined in statute; and
- Requires placement in a secure setting as the least restrictive environment capable of meeting the individual’s treatment and safety needs.



Scope of Work
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



SBHRFs are intended to serve a subset of individuals on COT who cannot be safely or effectively treated in traditional community-based settings. These facilities represent a new level of care, providing stabilization, treatment engagement, and care coordination including coordinated transition to less restrictive settings for individuals found chronically resistant to treatment. Programs must operate within a person-centered, trauma informed, recovery oriented, and clinically driven framework that maintains dignity, civil rights, cultural humility, and safety within a least restrictive secure environment.

A.R.S. § 36-425.06 grants authority to the Arizona Department of Health Services (ADHS) to license SBHRFs that provide secure on-site supportive treatment to persons who are determined to be seriously mentally ill, who are chronically resistant to treatment and who are placed in the facility pursuant to a court order pursuant to A.R.S. § 36-550.09. By contrast, while A.R.S. § 36-502 provides AHCCCS with the statutory authority to regulate service delivery for individuals ordered into SBHRFs pursuant to A.R.S. § 36-550.09, AHCCCS does not regulate service delivery in SBHRFs that provide treatment to persons who have been committed pursuant to a court order issued pursuant to A.R.S. § 13-4521 and does not oversee SBHRFs providing services pursuant to that title.

This RFP does not allow proposals for new construction. Awarded funds may only be used for (1) purchase and retrofit of an existing property, or (2) retrofit of a property already owned by the Offeror, subject to the funding limits described in the Offeror Requirements section.

Offerors must:

- Be the owner or proposed owner and operator of the facility located in Maricopa County.
- Renovate-
 - Facilities with no more than sixteen beds per facility; and
 - Secure facilities, defined as limiting a patient's egress in the least restrictive manner consistent with the patient's court-ordered treatment plan.
- Establish benchmarks/milestones to complete the development of each facility

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

- 3.1. **AAC:** Arizona Administrative Code.
- 3.2. **ACA:** Affordable Care Act.
- 3.3. **ADHS:** The Arizona Department of Health Services.
- 3.4. **AFFILIATE:** Any person or entity, which directly or indirectly owns or controls another person by having any family relationship, ownership interest or a Controlling Interest in that person.



Scope of Work
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



- 3.5. **AHCCCS:** The Arizona Health Care Cost Containment System – a managed health care program which pertains to health care services provided pursuant to A.R.S. § 36-2903 et seq., and is also the name of the State agency.
- 3.6. **AHCCCS COVERED SERVICES:** Those services set forth in A.R.S. § 36-2907 and 36-2939, A.A.C. Title 9 Chapter 22, Articles 2 and 12 and, Chapter 28, Articles 2 and 11.
- 3.7. **APPRAISAL:** An estimate of the value of the Project’s real property based on market information, including comparable properties, that is current through the period ending no earlier than six (6) months before the Proposal Deadline; and that is prepared in accordance with the Uniform Standards of Professional Appraisal Practice by an analyst who does not have a Controlling Interest in the Development Team, or financing source proposed in the Proposal, and who is authorized to render the Appraisal in Arizona. An Appraisal that deviates from the requirements of this paragraph must provide a detailed explanation of why the deviation cannot be avoided.
- 3.8. **AS-IS MARKET VALUE:** The Fee Simple Interest value of the property appraised in the *condition observed upon inspection and as it physically and legally exists at the time of* the appraisal without hypothetical conditions, assumptions, or qualifications on the effective date of the appraisal, and under the following conditions:
- 3.8.1. Buyer and seller are typically motivated;
 - 3.8.2. Buyer and seller are well informed or well advised, and acting in what they consider their own best interests;
 - 3.8.3. A reasonable time is allowed for exposure in the open market;
 - 3.8.4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 - 3.8.5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale (Title XI, FIRREA, 34.42(f)).
- 3.9. **BEHAVIORAL HEALTH SERVICES:** Services that pertain to mental health and substance use disorders and that are either:
- (a) Performed by or under the supervision of a professional who is licensed pursuant to title 32 and whose scope of practice allows for the provision of these services, or
 - (b) Performed on behalf of patients by behavioral health staff as prescribed by rule.
- 3.10. **CHIP:** Children’s Health Insurance Program.
- 3.11. **CMS:** Centers for Medicare and Medicaid Services, an organization within the U.S. Department of Health and Human Services, which administers the Medicare and Medicaid programs and the State Children’s Health Insurance Program.



Scope of Work
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



- 3.12. **CONSTRUCCION PROJECT MANAGER:** A 3rd party service required by AHCCCS as part of this Request for Proposals (RFP). AHCCCS will retain a Construction Project Manager to be funded through the Grant.
- 3.13. **CONTRACT:** The combination of the Solicitation, including the Instructions to Offerors, Contract Terms and Conditions, and Scope of Work; the Offer; any Best and Final Offers; any Solicitation Amendments or Contract Amendments; and any terms applied by law.
- 3.14. **CONTRACT AMENDMENT:** A written document signed by the Procurement officer that is issued for the purpose of making changes in the contract.
- 3.15. **CONTRACTOR:** A person who has a contract with AHCCCS.
- 3.16. **CONTROLLING INTEREST:** The possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the means of Ownership, position, contract or otherwise. The holder of a more than fifty percent (50%) Ownership in a legal entity is automatically determined to have a Controlling Interest in that legal entity.
- 3.17. **CHRONICALLY RESISTANT TO TREATMENT:** A condition that meets the criteria described in A.R.S. § 36-550.09.
- 3.18. **DATA -** means recorded information, regardless of form or the media on which it may be recorded. The term may include technical data and computer software. The term does not include information incidental to contract administration, such as financial, administrative, cost or pricing, or management information.
- 3.19. **DAYS:** Calendar days unless otherwise specified. If a due date falls on a Saturday, Sunday or legal holiday, then the due date is considered the next business day. A business day means a Monday, Tuesday, Wednesday, Thursday, or Friday unless a legal holiday falls on Monday, Tuesday, Wednesday, Thursday, or Friday. Computation of time begins the day after the event that triggers the period and includes all calendar days and the final day of the period. If the final day of the period is a weekend or legal holiday, the period is extended until the end of the next business day.
- 3.20. **DELIVERABLES:** All items that the Contractor is required to deliver under this Contract.
- 3.21. **DEVELOPMENT CONSULTANT:** A 3rd party contracted by the Offeror to develop, acquire, construct, or renovate the Facility on behalf of the Offeror.
- 3.22. **DEVELOPMENT TEAM:** The entities and professionals assembled to develop and manage the Project, typically including the Offeror, Facility Owner, Facility Operator, Service Provider, Consultant and/or general partner or any other related entities which has an identity of interest or a Controlling Interest in the Project.
- 3.23. **DOCUMENTATION:** Means all documents, including documents that are Deliverables described in the Statement of Work that are to be delivered by Contractor under this Contract. Documentation includes documents in hard copy or electronic form.
- 3.24. **FFP (FEDERAL FINANCIAL PARTICIPATION):** The Federal share of reimbursement for services provided in accordance with Federal requirements for school-based Medicaid services.



Scope of Work
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



- 3.25. **FMAP (FEDERAL MEDICAL ASSISTANCE PERCENTAGE):** Defined in CFR 42 §433.10 Rates of FFP for Program Services, is the Federal matching assistance percentage used to calculate payment to the states for part of their expenditures for services under an approved State Plan.
- 3.26. **GRATUITY:** 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.
- 3.27. **HEALTH PLAN:** An organization which contracts with the AHCCCS Administration to administer the provision of a comprehensive package of AHCCCS covered acute and behavioral health care services to AHCCCS members enrolled with the health plan.
- 3.28. **KEY PERSONNEL:** Contractor's Authorized Representative, the Project Manager, and all other Contractor personnel designated as Key Persons.
- 3.29. **KNOWLEDGE TRANSFER:** Activities designed to impart detailed information from Contractor to the Agencies in relation to the activities described in the Scope of Work. Knowledge Transfer goes beyond formalized training and documentation to include Contractor ensuring that staff is prepared to launch a successful Modularity program. Knowledge Transfer includes AHCCCS/MQD staff and other resources being integrated into Contractor's work activities and being an integral part of identifying and resolving issues. Knowledge Transfer activities include 'shoulder to shoulder' training, which is informal training with the specific intent of developing skills or knowledge working side by side with Contractor.
- 3.30. **KIDSCARE:** The State of Arizona's CHIP program.
- 3.31. **MATERIAL OMISSION:** A fact, data or other information excluded from a report, contract, etc. the absence of which could lead to erroneous conclusions following reasonable review of such report, contract, etc.
- 3.32. **MATERIALS:** 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.
- 3.33. **MAY:** Indicates something that is not mandatory but permissible.
- 3.34. **MEDICAID:** A Federal/State program authorized by Title XIX of the Social Security Act, as amended.
- 3.35. **MEMBER:** An individual ordered by the court to receive treatment in a Secured Behavioral Health Residential Facility and placed in the Owner's facility.
- 3.36. **MILESTONE:** The completion date for a specific group of tasks or deliverables identified as a milestone in the statement of work.
- 3.37. **NATIONAL PROVIDER NUMBER:** This single, unique ID is used for billing purposes by the provider to all third party payers, including billing for reimbursement under the DSC Program. All typical health care providers must have a 10-digit National Provider Identifier (NPI).
- 3.38. **NTE:** Not-to-Exceed amount.



Scope of Work
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



- 3.39. **OFFER:** A response to a solicitation.
- 3.40. **OFFEROR:** A vendor or person who responds to a Solicitation.
- 3.41. **OPERATING EXPENSES:** For any given period of time the fixed and variable expenses of operating the Project on an accrual basis, limited to the following expenses, as applicable: 1) administrative (i.e. accounting and auditing, attorney and payroll); 2) operating and management expenses and fees (i.e. utilities, marketing, leasing, advertisement, commission, and promotional costs); 3) maintenance and repair costs of the Project; 4) general real estate taxes; 5) treatment supplies and medications; 6) dietary and activities costs; 7) premiums of insurance carried on or with respect to the Project; 7) costs of utilities for the Project; and 8) replacement and operating reserves not to exceed a reasonable amount stipulated in the Proposal; and excluding interest payments and accruals on any and all loans (including but not limited to construction, permanent, voluntary, and partner/member loans), and depreciation and amortization costs.
- 3.42. **OPERATOR:** The legal entity which will operate the Facility once development has been completed. Facility operation includes but is not limited to, oversight of the Facility physical plant, security, utilities, and maintenance. For the purposes of this grant, the Operator must also be the primary behavioral health services provider for the Secure Facility and as such must be a registered and licensed AHCCCS provider. The Operator may be the Owner, or a separate entity legally contracted with the Owner to operate and provide behavioral health services at the Facility.
- 3.43. **OWNER:** The legal entity which will own title to the property and be responsible for the development of the Facility including any acquisition, construction or rehabilitation of the Facility. The Owner may also be the Operator and Behavioral Health Service Provider.
- 3.44. **PERSON:** Any corporation, business, individual, union, committee, club or other organization or group of individuals.
- 3.45. **PROCUREMENT OFFICER:** The person, or his or her designee, duly authorized by the State and AHCCCS to enter into and administer Contracts and made written determinations with respect to the Contract.
- 3.46. **RELATED PARTY:** A party that has, or may have, the ability to control or significantly influence a Contractor, or a party that is, or may be, controlled or significantly influenced by a Contractor. "Related parties" include, but are not limited to, agents, managing employees, persons with an ownership or controlling interest in the disclosing entity, and their immediate families, subcontractors, wholly-owned subsidiaries or suppliers, parent companies, sister companies, holding companies, and other entities controlled or managed by any such entities or persons.
- 3.47. **SCOPE OF WORK:** The documents that describe the Services to be provided by Contractor, including the Tasks, Deliverables and Milestones, Documentation, Work Product, the attributes (including requirements and specifications) of each Deliverable, identification of the Deliverables and Services that are associated with each Task, and a



Scope of Work
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



completion date for each Milestone and Deliverable, the payment schedule for each Deliverable and Milestone, and any other items as agreed by the parties.

- 3.48. **SECURE BEHAVIORAL HEALTH RESIDENTIAL FACILITY or FACILITY:** A facility as defined in A.R.S. § 36-425.06. Throughout this document, “Facility” may refer to multiple Facilities in the event of an award involving multiple projects or multiple awards.
- 3.49. **SERIOUS MENTAL ILLNESS (SMI):** A designation as defined in A.R.S. §36-550 and determined in an individual 18 years of age or older.
- 3.50. **SERVICES:** Means the furnishing of labor, time or effort by a Contractor or Subcontractor which does not involve the delivery of a specific end product other than required reports and performance, but does not include employment agreements or collective bargaining agreements.
- 3.51. **SHALL, MUST:** Indicates a mandatory requirement. Failure to meet these mandatory requirements may result in the rejection of a proposal as non-responsive.
- 3.52. **SHOULD:** Indicates something that is recommended but not mandatory. If the Offeror fails to provide recommended information, the State may, at its sole option, ask the Offeror to provide the information or evaluate the proposal without the information.
- 3.53. **SOLICITATION:** An Invitation for Bids (“IFB”), a Request for Proposals (“RFP”), or a Request for Quotations (“RFQ”).
- 3.54. **SOLICITATION AMENDMENT:** A written document that is authorized by the Procurement officer and issued for the purpose of making changes to the Solicitation.
- 3.55. **STATE:** Means any department, commission, council, board, bureau, committee, institution, agency, government corporation or other establishment or official of the executive branch or corporation commission of the State of Arizona that executes the Contract.
- 3.56. **STATE FISCAL YEAR:** The period beginning with July 1 and ending June 30.
- 3.57. **SUBCONTRACT:** Any Contract, express or implied, between the Contractor and another party or between a subcontractor and another party delegating or assigning, in whole or in part, the making or furnishing of any material or any service required for the performance of the Contract.
- 3.58. **SUBCONTRACTOR:** means a person who contracts to perform work or render Services to a Contractor or to another Subcontractor as a part of a Contract with the State.
- 3.59. **TITLE XIX:** Title XIX of the Social Security Act means Medicaid as defined in 42 U.S.C. 7.19.

4. OFFEROR REQUIREMENTS

- 4.1. The Offeror and any other interested parties to the project including the Owner, Operator, Consultant or other Development Team participant shall be duly formed legal entity(ies) authorized to transact business in the State of Arizona and in good standing with the Arizona Corporation Commission or the Office of the Secretary of the State of Arizona, as applicable.



Scope of Work
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



- 4.2. The Offeror responding to this RFP shall be the legal Owner of the Facility that is currently capable or can be retrofitted to act as a SBHRF. The Offeror shall demonstrate that the project has a clearly defined Development Team that includes at minimum the Owner/Operator who shall be the entity enrolled with AHCCCS as the Title 36 SBHRF provider for the Facility.
- 4.3. The Offeror responding to this RFP shall demonstrate ability to obtain the necessary zoning, Special use permits or other applicable requirements of the local municipality.
- 4.4. The Offeror shall warrant and demonstrate that they possess the experience and financial capacity necessary to retrofit an owned facility for use as a SBHRF in accordance with A.R.S. § 36-425.06 and forthcoming ADHS licensing requirements under Article 23. New construction is not permitted under this RFP.
- 4.5. The Offeror shall demonstrate the strategy, expertise, qualifications and all required licenses or certifications necessary to operate or oversee the operation of a licensed SBHRF that provides twenty-four hour on-site supportive treatment and supervision for individuals placed pursuant to A.R.S. § 36-550.09 only.
- 4.6. The Offeror shall identify staffing levels and strategies for providing or making available appropriate SBHRF services, including 24/7 supervision, behavioral health services, supportive treatment, and secure environment operations consistent with statutory and regulatory requirements and as needed based on potential residents' specific staffing needs.
- 4.7. The Offeror shall use awarded funds only for Facility development through:
 - 4.7.1. Retrofit an existing property.
 - 4.7.2. Eligible uses include retrofit, security upgrades, fire/life-safety improvements, ADA compliance, environmental review or remediation, design, permitting, fixture/clinic build-out, and other AHCCCS-approved costs. The Offeror shall be responsible for all project costs in excess of the awarded amount.
- 4.8. The Offeror may include in their proposal requests to utilize the funds to support initial operations. The Facility must be physically located in Arizona.
- 4.9. The Operator shall obtain and maintain ADHS licensure pursuant to A.R.S. § 36-425.06 and Article 23 (when final) and must obtain and maintain AHCCCS enrollment as a Title 36 SBHRF provider type. The Operator must meet all Federal and State requirements governing SBHRFs.
- 4.10. The Offeror shall complete all required development activities and obtain ADHS licensure and AHCCCS enrollment within the timeline established in the finalized project schedule, to be incorporated into the construction/retrofit agreement executed upon award.



Scope of Work
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



- 4.11. AHCCCS shall disburse funds to the Offeror on a cost-reimbursement basis upon completion of approved development milestones. Milestones and required documentation will be finalized and incorporated into the development agreement between AHCCCS and the Offeror. AHCCCS shall retain a portion of the total approved award to be released only upon:
- 4.11.1. Final completion of all retrofit activities,
 - 4.11.2. Issuance of ADHS SBHRF licensure under A.R.S. § 36-425.06, and
 - 4.11.3. Completion of AHCCCS enrollment as a Title 36 SBHRF provider,
 - 4.11.4. Demonstration of operational readiness to accept placements under A.R.S. § 36-550.09.
- 4.12. The Owner shall commit to deed restrictions requiring use of property as a secure behavioral health residential facility for a minimum period of time.
- 4.13. The completed Facility must meet the emergency and safety standards as specified in State and local building codes.

5. State Licensure Approval to Operate

To ensure the full performance of the Successful Offeror/AHCCCS agreement, AHCCCS will withhold final acceptance until the Arizona State Licensure is granted to Successful Offeror.

	Special Terms and Conditions Request for Proposal Solicitation No. BPM007546 Secured Behavioral Health Residential Facility YH26-0005	
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[Special Terms and Conditions](#)

The Special Terms and Conditions modify the Uniform Terms and Conditions. It can modify them by replacing, deleting, appending to, or revising the text of an existing provision or by inserting a new paragraph into an existing article. No other document modifies or adds to the Uniform Terms and Conditions, except as may subsequently be otherwise and expressly agreed and incorporated by Contract Amendment.

1. Definition of Terms: As used in the Contract, the terms listed below are defined as follows:
 - 1.1. Acceptance: The document titled “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:
 - 1.2.1. If State did not request a Revised Offer, then “Accepted Offer” means the Initial Offer.
 - 1.2.2. If State requested a Revised Offer but not a Best and Final Offer, then “Accepted Offer” means the latest Revised Offer.
 - 1.2.3. If State requested a Best and Final Offer, then “Accepted Offer” means the Best and Final Offer.
 - 1.3. “AI” means the science and engineering of making machines capable of performing tasks that are typically associated with human intelligence, such as learning and problem-solving, and includes without limitation: AI systems, classic AI, external AI, generative AI, and large language model (LLM) AI.
 - 1.4. Arizona Procurement Code: The Arizona Procurement Code consists of Arizona Revised Statutes (A.R.S.) §§ 41-2501 *et seq.* and Arizona Administrative Code (A.A.C.) R2-7-101 *et seq.* There is additional information in the Solicitation Instructions regarding how to access these state statutes and rules.
 - 1.5. Arizona Transaction Privilege Tax (TPT): For information, refer to the Arizona Department of Revenue (DOR) website at: <https://azdor.gov/transaction-privilege-tax-tpt>
 - 1.6. Attachment. Any item that:
 - 1.6.1. The Solicitation required Offeror to submit as part of the Offer (e.g., Initial Offer, Revised Offer, or Best and Final Offer);

	Special Terms and Conditions Request for Proposal Solicitation No. BPM007546 Secured Behavioral Health Residential Facility YH26-0005	
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1.6.2. Was attached to an Offer when submitted; and

1.6.3. Was included in the Accepted Offer.

- 1.7. Contract Terms and Conditions: The Special Terms and Conditions and the Uniform Terms and Conditions taken collectively.
- 1.8. Contractor: The Person identified on the Accepted Offer who has entered into the Contract with the State.
- 1.9. Contractor Indemnitor: Contractor or any of its owners, officers, directors, agents, employees, or Subcontractors.
- 1.10. Data Breach: Data Breach is used herein as defined as stated in A.R.S. Title 18, chapter 5, article 4 (Data Security Breaches), or in any relevant state or federal standard, to indicate an unauthorized acquisition of and unauthorized access that materially compromises the security or confidentiality of unencrypted and unredacted computerized personal information maintained as part of a database of personal information regarding multiple individuals.
- 1.11. Instructions to Offerors: The Solicitation Instructions document of the Solicitation.
- 1.12. Order: The instrument by which the Eligible Agency or Co-Op Buyer authorizes a Contractor to perform some or all of the Work. Whether the Contract will have one Order or many Orders depends on the scope of the Contract and how the State will use it. The Special Terms and Conditions provide that information. Any of the following are construed as an “Order”: “Purchase order,” “task order,” “service order,” or “job order”.
- 1.13. State’s eProcurement System: The 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, The State’s eProcurement System–The Official State eProcurement System. Technical Bulletin No. 020 is available online at:
https://spo.az.gov/sites/default/files/documents/files/TB_020_APP_20181024.pdf
- 1.14. 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 Eligible Agency or Co-Op Buyer who has issued the Order.



Special Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



- 1.15. State Indemnitees: Collectively, the State of Arizona, its departments, agencies, universities, commissions, and boards and, and their respective officers, agents, and employees.
- 1.16. Work: 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. Contract Interpretations

2.1. Usage. Where the Contract:

- 2.1.1. assigns obligations to Contractor, any reference to "Contractor" is to be construed to be a reference to the 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 Subcontractor's respective agents, representatives, and employees in every instance unless the context plainly requires that it is a reference only to Contractor as apart from Subcontractors.
- 2.1.2. uses the permissive "may" with respect to a party's actions, determinations, etc., the terms is to be interpreted as in A.A.C. R2-7-101(32) [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;
- 2.1.3. 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(44) [Definitions]. Conversely, the phrase "shall not" is to be interpreted as an imperative prohibition.
- 2.1.4. uses the term "must" with respect to a requirement, criterion, etc., the term is to be interpreted as conveying compulsion or strict necessity;
- 2.1.5. 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



Special Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



- 2.1.6. 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.

2.2. Contract Order of Precedence

- 2.2.1. 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.

- 2.2.2. 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.

- 2.2.2.1. Contract Amendments;

- 2.2.2.2. The final Solicitation Documents, in the following 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) Specifications; and
- (7) Any other documents referenced or included in the Solicitation;

- 2.2.2.3. Orders, in reverse chronological order; and

- 2.2.2.4. Accepted Offer.



Special Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



- 2.2.3. 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.

3. 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 twelve (12) months unless canceled, terminated, or permissibly extended.

- 3.2. Contract Extensions. State may at its discretion extend the initial Contract term in increments of one (1) or more months and do so one or more times, provided that the maximum aggregate term of the Contract including extensions cannot exceed the maximum aggregate term of five (5) years.

3.3. Notices and Correspondence

- 3.3.1. To Contractor. State shall 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 State’s eProcurement System Vendor Profile; and 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. Contractor shall address all Contract correspondence other than formal notices to the email address indicated in “Contact Instructions” in the State’s eProcurement System Summary for State; and address any required notices to State via email to the Procurement Officer identified as “Purchaser” in the State’s eProcurement System and via email to the following email address:

AHCCCS Procurement

procurement@azahcccs.gov

- 3.3.3. Changes. State may change the designated Procurement Officer, update contact information, or change the applicable mailing address.



Special Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



- 3.4. Signing of Contract Amendments. Contractor's counter-signature (or "approval" in the State's eProcurement System, in the case of an amendment) is not required to give effect if the Contract Amendment only covers either:

- 3.4.1. extension of the term of the Contract within the maximum aggregate term; or
- 3.4.2. 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 3.4.1 and 3.4.2 above, both parties' signatures (or "approval" in the State's eProcurement System in the case of an Amendment) are required to give it effect.

- 3.5. Click-through 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 System, any such terms and conditions are deemed void upon 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. In addition to the audit rights detailed in the Uniform Terms and Conditions, State also requires that, pursuant to A.R.S. § 41-2548(B), Contractor shall retain and shall contractually require each Subcontractor to retain books and records relating to any cost and pricing Data submitted in satisfaction of § 41-2543 for the period specified in the statute.
- 3.6.2. Usage Information. Additionally, any and all information (including, but not limited to, documentation or Data) related to Eligible Agency and Co-Op Buyer usage retained solely within the Contractor's system (for example, related to punch-out or Contractor catalog sales) shall be considered public information or information that can be shared with and distributed by the State freely and for any purpose under the State's government purpose rights detailed in Section 3 of the Uniform Terms and Conditions [Ownership of Intellectual Property]. Any modifications to this Contract notwithstanding, the State shall



Special Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



have free use of any and all information related to Eligible Agency or Co-Op Buyer purchasing. Upon request by the State, Contractor shall promptly provide the State with any usage information requested and shall not attempt to limit the State's use in any way.

3.6.3. Right To Audit. The retained books and records are subject to audit by State during that period. Pursuant to 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.

3.6.4. 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. Subcontract

3.7.1. Initial list. At the time of Contract execution, Contractor's candidate Subcontractors were identified in Attachment Proposed Subcontractors 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.

3.7.2. Additional names. Contractor shall not enter into a Subcontract to perform Work under the Contract, without first obtaining Procurement Officer's written consent with any prospective Subcontractor that (a) was not listed on the Attachment Proposed Subcontractors 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. Approval of additional subcontractors shall be added to the Contract by a bilateral Contract Amendment.



Special Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



3.7.3. 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.

3.8. Orders

3.8.1. Order Sufficiency. The Contract was awarded in accordance with the Arizona Procurement Code; the transactions and procedures required by the Arizona Procurement Code for competitive source selection have been met. An Order issued that cites the correct State contract number will suffice to authorize the Contractor to provide the Materials and perform the Services covered by that Order.

3.8.2. Order Terms. All Orders are subject to the Contract Terms and Conditions; an Order cannot modify the Contract Terms and Conditions. Any Contractor terms added to quotes or otherwise unilaterally added to Eligible Agency or Co-Op Buyer Orders are null and void.

3.8.3. Orders are Obligatory. Until the expiration or earlier termination of the Contract, State may issue and Contractor shall accept Orders that make proper reference to the Contract and are permissible hereunder, provided that, Contractor is not obliged to accept any Order that is not consistent with the then-current pricing, lead times, specifications, or payment provisions of the Contract. Contractor shall fulfill and complete any Orders that are begun but not yet completed as of expiration or earlier termination of the Contract unless State instructs otherwise at the time.

3.8.4. No Minimums or Commitments. (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.



Special Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



- 3.8.5. Non-contracted Materials or Services. Any attempt to knowingly represent for sales, marketing, or related purposes that Materials or Services not specifically awarded are under a State contract is a violation of the Contract and law.
- 3.9. Order Cancellations. State may cancel Orders within a reasonable period after issuance and at its discretion. The same method used for ordering will be used for cancellation.
- 3.9.1. If State cancels an Order, then State shall:
- 3.9.1.1. 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; and
- 3.9.1.2. reimburse Contractor for actual, documented costs incurred in fulfilling the Order up to the cancellation effective date and the cost of any obligations incurred in fulfilling the Order up to the cancellation effective date 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.
- 3.9.2. Contractor shall not charge or be entitled to charge State for any new costs it incurs after receiving the cancellation notice; State is not liable for any Materials that were produced, shipped, or delivered, or Services that were performed before Contractor had acknowledged the corresponding Order.
- 3.9.3. State shall also be able to cancel Orders freely and without any further obligation at any time prior to Contractor's formal acknowledgement of the Order.
- 3.10. This contract is a single-agency contract for the sole use of AHCCCS.
- 3.11. Transitions
- 3.11.1. During commencement, Contractor shall attend transition meetings with any outgoing suppliers to coordinate and ease the transition so that the impact on State's operations is kept to a minimum. State may elect to have outgoing suppliers complete some or all of their Work or Orders in progress, even if that Work could be covered under the incoming supplier's Contract. Conversely, the State may have a continued need for the same Materials and Services upon expiration or earlier termination of the Contract. Accordingly, Contractor



Special Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



shall work closely with any incoming supplier and State to ensure as smooth and complete a transition transfer as is practicable.

- 3.11.2. Eligible Agency or Co-Op Buyers representative will coordinate all transition activities and facilitate joint development of a comprehensive transition plan by both Contractor and the incoming supplier. As with the incoming transition, State may permit Contractor, when Contractor is outgoing, to complete work or orders in progress to ease the transition as is safest and most efficient in each instance.

4. Costs and Payments

- 4.1. Type of Pricing. Offeror shall provide a budget in accordance with the Solicitation Instructions to Offerors.

- 4.2. Pricing is all-inclusive, including any ancillary fees and costs required to accomplish the Scope of Work and all aspects of Contractor's offer as accepted by State.

- 4.2.1. Details of service not explicitly stated in the Scope of Work or in Contractor's Offer, but necessarily a part of, are deemed to be understood by Contractor and included herein. All administrative, reporting, or other requirements, all overhead costs and profit and any other costs toward the accomplishment of the requirements in the Contract are included in the pricing provided.

4.3. Invoicing

- 4.3.1. Invoices. Contractor shall submit all billing notices or invoices to the ordering Eligible Agency, AHCCCS DBF Admin Payables at ahcccsdbfadminpayables@azahcccs.gov

- 4.3.2. Minimum Invoice Requirements. Every invoice shall include the following information:

- 4.3.2.1. Bill-to name and address;
- 4.3.2.2. Contractor name and contact information;
- 4.3.2.3. Remit-to address;
- 4.3.2.4. Invoice number and date;
- 4.3.2.5. State contract number;
- 4.3.2.6. Order number (APP PO number);
- 4.3.2.7. Material or Service description (itemized);
- 4.3.2.8. Date(s) Services were performed or Materials were delivered;
- 4.3.2.9. Applicable payment terms;
- 4.3.2.10. Quantity delivered or performed;



Special Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



- 4.3.2.11. Line item unit of measure;
 - 4.3.2.12. Item price;
 - 4.3.2.13. Extended pricing;
 - 4.3.2.14. Receipt for pass-through expenses (if applicable);
 - 4.3.2.15. Taxes (as a separate invoice line item), including the percentage used to calculate taxes;
 - 4.3.2.16. Mailing fees (if applicable); and
 - 4.3.2.17. Total invoice amount due.
- 4.3.3. No Invoice Without Authorization. Contractor shall not seek payment for any:
- 4.3.3.1. Materials or Services that have not been authorized on an acknowledged Order;
 - 4.3.3.2. Expediting, overtime, premiums, or upcharges absent State's express prior approval; or
 - 4.3.3.3. Materials or Services that are the subject of a Contract Amendment that has not been fully signed by the Procurement Officer.
- 4.3.4. Submitting Invoices. Contractor shall submit an invoice to the ordering Eligible Agency or Co-Op Buyer using the form and/or process required by the ordering Eligible Agency or Co-Op Buyer. Every invoice must be signed by Contractor's authorized representative and accompanied by all supporting information and documentation required by the Contract and applicable laws.
- 4.3.5. Defective Invoices. Without prejudice to its other rights under the Contract or further obligation to Contractor, the ordering Eligible Agency or Co-Op Buyer may, at its discretion, reject any materially defective invoice.
- 4.3.5.1. The ordering Eligible Agency or Co-Op Buyer shall notify the Contractor within five (5) business days after receipt if it determines an invoice to be materially defective.
 - 4.3.5.2. Invoices will be deemed automatically rejected upon delivery if they: are sent to an incorrect address, do not reference the correct State contract and Purchase Order number, or are payable to any Person other than the Contractor.
 - 4.3.5.3. The ordering Eligible Agency or Co-Op Buyer shall have no obligation to pay against a defective invoice unless and until Contractor has re-submitted it free of defects.

	Special Terms and Conditions Request for Proposal Solicitation No. BPM007546 Secured Behavioral Health Residential Facility YH26-0005	
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4.4. Payments

- 4.4.1. **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 Pricing Section of the Special Terms and Conditions above, 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 occur: (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 Contract, provided that, State will not make or be liable for any payments to Contractor until Contractor has registered properly in the State's eProcurement System and provided a current I.R.S. Form W-9 to State unless excused by law from providing one.
- 4.4.2. **Payments Only To Contractor.** Unless an assignment and assumption agreement has been reached between the Contractor and State pursuant to Section 5.1 of the Special Terms and Conditions [Assignment and Delegation] or the State has been otherwise compelled by operation of law or order of a court of competent jurisdiction, State will only make payment to Contractor under the federal tax identifier the Contract was awarded to within the eProcurement System.
- 4.4.3. **Payment.** The applicable Eligible Agency or Co-Op Buyer shall pay undisputed amounts due to Contractor within the time period specified in Section 4 Costs and Payments of the Uniform Terms and Conditions.
- 4.4.4. **Joint Checks or Direct Pay.** Applicable Eligible Agency or Co-Op Buyer may, but is under no obligation to, pay by joint check or to pay directly to any Subcontractor or other creditor to whom any portion of Contractor's requested payment is owed.
- 4.4.5. **Recovery of Overpayment.** If applicable, Eligible Agency or Co-Op Buyer determines that an overpayment has been made to Contractor on any prior invoice, it shall inform Contractor of the amount and date of the overpayment and may deduct the overpaid amount from amounts then or thereafter due to Contractor.
- 4.4.6. **Purchasing Card.** Applicable Eligible Agency or Co-Op Buyer may pay invoices for some or all Orders using a purchasing card. Any and all fees related to payment using a purchasing card (also called a p-card) are the



Special Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



responsibility of the Contractor. Unless otherwise stated in the Contract, there will be no additional fees or increase in prices associated with this method of payment.

- 4.4.7. Automated clearing house. Applicable Eligible Agency or Co-Op Buyer may pay invoices for some or all Orders through an Automated Clearing House (ACH). In order to receive payments in this manner from Eligible Agencies, the Contractor must complete an ACH Vendor Authorization Form (form GAO-618) within 30 (thirty) days after the effective date of the Contract. The form is available online at: <https://gao.az.gov/publications/forms>.

4.5. Applicable Taxes

- 4.5.1. Contractor To Pay All Taxes. State is subject to Arizona Transaction Privilege Tax (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 will not relieve the Contractor of any obligation to remit sales or use taxes that are due under the Contract or laws. Unless clearly stated otherwise in the Contract, 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 subdivisions. Contractor shall pay all federal, state, and local taxes applicable to its operations and personnel.
- 4.5.2. 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.

5. Contract Changes

5.1. Assignment and Delegation

- 5.1.1. 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,



Special Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



competency, capacity, and qualification to perform as that which Contractor possessed when State first awarded it the Contract.

- 5.1.2. In Part. Subject to Special Terms and Conditions sections 3.7 [Subcontract] 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 state law.

6. 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. General Contractor Indemnification and Insurance Requirements

- 6.2.1. Contractor Indemnification (Not Public Agency). To the fullest extent permitted by law, Contractor shall defend, indemnify, and hold harmless the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees (hereinafter referred to as "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



Special Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



applicable. In consideration of the award of this contract, the Contractor agrees to waive all rights of subrogation against the State of Arizona, its officers, officials, agents, and employees for losses arising from the work performed by the Contractor for the State of Arizona. This indemnity shall not apply if the Contractor or Subcontractor(s) is/are an agency, board, commission or university of the State of Arizona.

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

6.2.3. **Insurance Requirements. Addendum A to the Special Terms and Conditions: Contractor Insurance Requirements is incorporated herein as part of the Special Terms and Conditions.**

6.3. 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:

6.3.1. State shall provide reasonable and timely notification to Contractor of any claim for which Contractor may be liable under this paragraph;

6.3.2. 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;

6.3.3. State may elect to participate in such action at its own expense; and

6.3.4. 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.

	Special Terms and Conditions Request for Proposal Solicitation No. BPM007546 Secured Behavioral Health Residential Facility YH26-0005	
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If Contractor is a public agency, this section 6.3 does not apply.

7. General Provisions for Services

7.1. **Corrective Action Required.** Notwithstanding any other guarantees, general warranties, or particular warranties Contractor has given under the Contract, and in addition to any other rights and remedies available under the Contract, if Contractor fails to perform any material portion of the Services including, but not limited to, failure to complete any contractual deliverable or failure 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.

7.1.1. Contractor shall provide 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).

7.1.2. State may demand to review and approve Contractor's analysis and plans, and Contractor shall make any and all reasonable corrections State instructs and adopt State's recommendations, including any measures State determines to be necessary for employee or public safety, or the protection of property or the environment.

7.1.3. Contractor shall take the necessary action(s) to avoid any like failures in the future.

8. Data and Information Handling

8.1. **Applicability.** Article 14 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.

8.2. **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:

8.2.1. Contractor shall provide the State and Eligible Agencies with a copy of its Disaster Recovery plan upon request. The Disaster Recovery plan shall outline the Contractor's actions, with timelines, in the event of a natural disaster, cyber-attack or loss of ability to operate and perform services under this contract.



Special Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



- 8.2.2. Contractor shall: (a) notify State immediately of any unauthorized access or inappropriate disclosures, whether stemming from an external Data Breach, internal Data Breach, system failure, or procedural lapse within twenty-four (24) hours of a Data Breach, by sending an email to the Arizona Department of Homeland Security at AZSOC@azdohs.gov and GRC@azdohs.gov, reporting the incident that occurred; (b) cooperate with State to identify the source or cause and respond to each unauthorized access or inappropriate disclosure; and (c) notify State promptly of any security threat that could result in unauthorized access or inappropriate disclosures; and
- 8.2.3. 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.
- 8.3. Protected Health Information. Contractor warrants that, to the extent performance under Contract involves individually identifiable health information (referred to hereinafter as protected health information ("PHI") and electronic PHI ("ePHI") as defined in the Privacy Rule referred to below), it:
- 8.3.1. 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 CFR45-160(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;
- 8.3.2. 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
- 8.3.3. 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:

	Special Terms and Conditions Request for Proposal Solicitation No. BPM007546 Secured Behavioral Health Residential Facility YH26-0005	
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<http://www.hhs.gov/hipaa/for-professionals/privacy/index.html>

- 8.4. Artificial Intelligence (AI) Prohibitions. Consistent with State policy, if Contractor supplies AI Services or Materials (either directly or through Subcontractors or the sale of licenses), such as research, development, training, implementation, deployment, maintenance, provision, or sale of AI systems, then Contractor is prohibited from using State of Arizona Materials or Data in generative AI queries or for building or training proprietary generative AI programs unless explicitly approved in advance by the State in writing.
- 8.4.1. Contractor shall also disclose the utilization of generative AI before producing works owned by the State and/or integrating generative AI into Materials or Services used by the State.
 - 8.4.2. Contractor shall perform due diligence to ensure proper licensure of model training data for all generative AI services.

	Addendum A to the Special Terms and Conditions Request for Proposal Solicitation No. BPM007546 Secured Behavioral Health Residential Facility YH26-0005	
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[Addendum A to the Special Terms and Conditions](#)

Contractor Insurance Requirements

1.1. 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.

1.2. Insurance Requirements

- 1.2.1. Contractor and subcontractors shall procure and maintain, until all of their obligations have been discharged, including any warranty periods under this Contract, insurance against claims for injury to persons or damage to property arising from, or in connection with, the performance of the work hereunder by the Contractor, its agents, representatives, employees or subcontractors.
- 1.2.2. 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



**Addendum A to the
Special Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005**



subcontractors, and the Contractor is free to purchase additional insurance.

1.3. Minimum Scope and Limits of Insurance

Contractor shall provide coverage with limits of liability not less than those stated below.

1.3.1. 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.

1.3.2. Business Automobile Liability

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

- 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,



**Addendum A to the
Special Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005**



boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

1.3.3. Workers' Compensation and Employers' Liability

- Workers' Compensation Statutory
- Employers' Liability
 - Each Accident \$1,000,000
 - Disease – Each Employee \$1,000,000
 - Disease – Policy Limit \$1,000,000
- a. Policy shall contain a waiver of subrogation endorsement, 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).

1.3.4. 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 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.

1.4. Additional Insurance Requirements

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

- 1.4.1. The Contractor's policies, as applicable, shall stipulate that the insurance afforded



**Addendum A to the
Special Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005**



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).

- 1.4.2. Insurance provided by the Contractor shall not limit the Contractor's liability assumed under the indemnification provisions of this Contract.

1.5. 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).

1.6. 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.

If the Contractor utilizes the Social Service Contractors Indemnity Pool ("SSCIP") or other prior approved insurance pool for insurance coverage, SSCIP or the other prior approved insurance pool is exempt from the A.M. Best's rating requirements listed in this section. If the Contractor chooses to use SSCIP or another approved insurance pool as its insurance provider, the Contractor would be considered in full compliance with insurance requirements relating to the A.M. Best rating requirements.

1.7. 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.

- 1.7.1. 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

	Addendum A to the Special Terms and Conditions Request for Proposal Solicitation No. BPM007546 Secured Behavioral Health Residential Facility YH26-0005	
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or otherwise affect the requirements of this agreement.

- 1.7.2. 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.
- 1.7.3. 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.

1.8. 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.

1.9. 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.

1.10. 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.

	Uniform Terms and Conditions Request for Proposal Solicitation No. BPM007546 Secured Behavioral Health Residential Facility YH26-0005	
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[Uniform Terms and Conditions 10.5](#)

1. **Definition of Terms.** As used in this Solicitation and any resulting Contract, the terms listed below are defined as follows:
 - 1.1. “AI” means the science and engineering of making machines capable of performing tasks that are typically associated with human intelligence, such as learning and problem-solving, and includes without limitation: AI systems, classic AI, external AI, generative AI, and large language model (LLM) AI.
 - 1.2. “Attachment” means any item the Solicitation which requires the Offeror to submit as part of the Offer.
 - 1.3. “Contract” means the combination of the Solicitation, including the Instructions to Offerors, the Uniform and Special Terms and Conditions, and the Specifications and Statement of Scope of Work; the Offer and any Best and Final Offers; and any Solicitation Amendments or Contract Amendments.
 - 1.4. "Contract Amendment" means a written document signed by the Procurement Officer that is issued for the purpose of making changes in the Contract.
 - 1.5. “Contractor” means any person who has a Contract with the State.
 - 1.6. “Data” means recorded information, regardless of form or the media on which it may be recorded. The term may include technical Data and computer software. The term does not include information incidental to contract administration, such as financial, administrative, cost or pricing, or management information.
 - 1.7. “Days” means calendar days unless otherwise specified.
 - 1.8. “Exhibit” means any item labeled as an Exhibit in the Solicitation or placed in the Exhibits section of the Solicitation generally containing maps, schematics, examples of reports, or other documents that will be used to perform the requirements of the Scope of Work after contract award.
 - 1.9. “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.
 - 1.10. “Materials” means all property, including equipment, supplies, printing, insurance and leases of property but does not include land, a permanent interest in land or real property or leasing space.



Uniform Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



- 1.11. "Procurement Officer" means the person, or his or her designee, duly authorized by the State to enter into and administer Contracts and make written determinations with respect to the Contract.
- 1.12. "Services" means the furnishing of labor, time or effort by a Contractor or Subcontractor which does not involve the delivery of a specific end product other than required reports and performance, but does not include employment agreements or collective bargaining agreements.
- 1.13. "State" means any department, commission, council, board, bureau, committee, institution, agency, government corporation or other establishment or official of the executive branch or corporation commission of the State of Arizona that executes the Contract.
- 1.14. "State Fiscal Year" means the period beginning with July 1 and ending June 30.
- 1.15. "Subcontract" means any Contract, express or implied, between the Contractor and another party or between a Subcontractor and another party delegating or assigning, in whole or in part, the making or furnishing of any Materials or any Services required for the performance of the Contract.
- 1.16. "Subcontractor" means a person who contracts to perform work or render Services to a Contractor or to another Subcontractor as a part of a Contract with the State.

2. Contract Interpretation

- 2.1. Arizona Law. The Arizona law applies to this Contract including, where applicable, the Uniform Commercial Code as adopted by the State of Arizona and the Arizona Procurement Code, Arizona Revised Statutes (A.R.S.) Title 41, Chapter 23, and its implementing rules, Arizona Administrative Code (A.A.C.) Title 2, Chapter 7.
- 2.2. Implied Contract Terms. Each provision of law and any terms required by law to be in this Contract are a part of this Contract as if fully stated in it.
- 2.3. Contract Order of Precedence. In the event of a conflict in the provisions of the Contract, as accepted by the State and as they may be amended, the following shall prevail in the order set forth below:
- 2.3.1. Special Terms and Conditions;
 - 2.3.2. Uniform Terms and Conditions;
 - 2.3.3. Statement or Scope of Work;
 - 2.3.4. Specifications;
 - 2.3.5. Attachments;
 - 2.3.6. Exhibits; then



Uniform Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



2.3.7. Any other documents referenced or included in the Solicitation including, but not limited to, any Bid or Offer documents provided by the Contractor that do not fall into one of the above categories.

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

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

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

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

3. Contract Administration and Operation

3.1. Records. Under A.R.S. § 35-214 and § 35-215, the Contractor shall retain and shall contractually require each Subcontractor to retain any and all Data and other "records" relating to the acquisition and performance of the Contract for a period of five (5) years after the completion of the Contract. All records shall be subject to inspection and audit by the State at reasonable times. Upon request, the Contractor shall produce a legible copy of any or all such records.

3.2. Non-Discrimination. The Contractor shall comply with State Executive Order Nos. 2023-09, 2023-01, 2009-09, and any and all other applicable Federal and State laws, rules and regulations, including the Americans with Disabilities Act.

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

3.4. Facilities Inspection and Materials Testing. The Contractor agrees to permit access to its facilities, Subcontractor facilities, and the Contractor's processes or services, at reasonable times for inspection of the facilities or Materials covered under this Contract as required under A.R.S. § 41-2547. The State shall also have the right to test, at its own



Uniform Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



cost, the Materials to be supplied under this Contract. Neither inspection of the Contractor's facilities nor Materials testing shall constitute final acceptance of the Materials or Services. If the State determines non-compliance of the Materials, the Contractor shall be responsible for the payment of all costs incurred by the State for testing and inspection.

- 3.5. Notices. Notices to the Contractor required by this Contract shall be made by the State to the person indicated on the Offer and Acceptance form submitted by the Contractor unless otherwise stated in the Contract. Notices to the State required by the Contract shall be made by the Contractor to the Solicitation Contact Person indicated on the Solicitation, stated in the Contract, or listed on the State's eProcurement system. An authorized Procurement Officer and an authorized Contractor representative may change their respective person to whom notice shall be given by written notice to the other and an amendment to the Contract shall not be necessary.
- 3.6. Advertising, Publishing and Promotion of Contract. The Contractor shall not use, advertise or promote information for commercial benefit concerning this Contract without the prior written approval of the Procurement Officer.
- 3.7. Continuous Improvement. Contractor shall recommend continuous improvements on an ongoing basis in relation to any Materials and Services offered under the Contract, with a view to reducing State costs and improving the quality and efficiency of the provision of Materials or Services. State may require Contractor to engage in continuous improvements throughout the term of the Contract.
- 3.8. Other Contractors. State may undertake on its own or award other contracts to the same or other suppliers for additional or related work. In such cases, the Contractor shall cooperate fully with State employees and such other suppliers and carefully coordinate, fit, connect, accommodate, adjust, or sequence its work to the related work by others. Where the Contract requires handing-off Contractor's work to others, Contractor shall cooperate as State instructs regarding the necessary transfer of its work product, Materials, Services, or records to State or the other suppliers. Contractor shall not commit or permit any act that interferes with the State's or other suppliers' performance of their work, provided that, State shall enforce the foregoing section equitably among all its suppliers so as not impose an unreasonable burden on any one of them.
- 3.9. Ownership of Intellectual Property
- 3.9.1. Rights In Work Product. All intellectual property originated or prepared by Contractor pursuant to the Contract, including but not limited to, inventions, discoveries, intellectual copyrights, trademarks, trade names, trade secrets, technical communications, records reports, computer programs and other



Uniform Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



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.

3.9.2. "Government Purpose Rights" are:

- 3.9.2.1. 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;
- 3.9.2.2. the right to release or disclose that work product to third parties for any State government purpose; and
- 3.9.2.3. 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.

3.9.3. "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.

3.9.4. Joint Developments. The Contractor and State may each use equally any ideas, concepts, know-how, or techniques developed jointly during the course of the Contract, and may do so at their respective discretion, without obligation of notice or accounting to the other party.

3.9.5. 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:

- 3.9.5.1. any derivative works of such pre-existing Materials or elements thereof that are created pursuant to the Contract are part of that work product;
- 3.9.5.2. any elements of derivative work of such pre-existing Materials that was not created pursuant to the Contract are not part of that work product; and



Uniform Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



3.9.5.3. 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.

3.9.6. Developments Outside Of Contract. Unless expressly stated otherwise in the Contract, this Section does not preclude Contractor from developing competing Materials outside the Contract, irrespective of any similarity to Materials delivered or to be delivered to State hereunder.

3.10. Property of the State. If there are any materials that are not covered by Section 3.9 above created under this Contract, including but not limited to, reports and other deliverables, these materials are the sole property of the State. The Contractor is not entitled to a patent or copyright on those materials and may not transfer the patent or copyright to anyone else. The Contractor shall not use or release these materials without the prior written consent of the State.

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

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

3.13. Offshore Performance of Work involving Data is Prohibited. Any Services that are described in the specifications or scope of work that directly serve the State of Arizona or its clients and involve access to Data shall be performed within the defined territories of the United States.

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

3.15. Artificial Intelligence (AI) Prohibitions. Consistent with State policy, if Contractor supplies AI Services or Materials (either directly or through Subcontractors or the sale of licenses), such as research, development, training, implementation, deployment, maintenance,



Uniform Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



provision, or sale of AI systems, then Contractor is prohibited from using State of Arizona Materials or Data in generative AI queries or for building or training proprietary generative AI programs unless explicitly approved in advance by the State in writing.

3.15.1. Contractor shall also disclose the utilization of generative AI before producing works owned by the State and/or integrating generative AI into Materials or Services used by the State.

3.15.2. Contractor shall perform due diligence to ensure proper licensure of model training data for all generative AI services.

3.16. Certifications Required by State Law.

3.16.1. If Contractor is a Company as defined in A.R.S. § 35-393, Contractor certifies that it is not currently engaged in a boycott of Israel as described in A.R.S. §§ 35-393 *et seq.* and will refrain from any such boycott for the duration of this Contract.

3.16.2. Contractor further certifies that it shall comply with A.R.S. § 35-394, regarding use of the forced labor of ethnic Uyghurs, as applicable.

4. Costs and Payments

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

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

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

4.4. Applicable Taxes

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

4.4.2. State and Local Transaction Privilege Taxes. The State of Arizona is subject to all applicable state and local transaction privilege taxes. Transaction privilege taxes apply to the sale and are the responsibility of the seller to remit. Failure to collect such taxes from the buyer does not relieve the seller from its obligation to remit taxes.



Uniform Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



4.4.3. Tax Indemnification. Contractor and all Subcontractors shall pay all Federal, state and local taxes applicable to its operation and any persons employed by the Contractor. Contractor shall, and require all Subcontractors to hold the State harmless from any responsibility for taxes, damages and interest, if applicable, contributions required under Federal, and/or state and local laws and regulations and any other costs including transaction privilege taxes, unemployment compensation insurance, Social Security and Worker's Compensation.

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

4.5. Availability of Funds for the Next State Fiscal Year. Funds may not presently be available for performance under this Contract beyond the current State Fiscal Year. No legal liability on the part of the State for any payment may arise under this Contract beyond the current State Fiscal Year until funds are made available for performance of this Contract.

4.6. Availability of Funds for the Current State Fiscal Year. Should the State Legislature enter back into session and reduce the appropriations or for any reason and these Materials or Services are not funded, the State may take any of the following actions:

- 4.6.1. Accept a decrease in price offered by the Contractor;
- 4.6.2. Cancel the Contract; or
- 4.6.3. Cancel the Contract and re-solicit the requirements.

5. Contract Changes

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

5.2. Subcontracts. The Contractor shall not enter into any Subcontract under this Contract for the performance of this Contract without the advance written approval of the Procurement Officer as described in Arizona State Procurement Office Standard Procedure 002. The Contractor shall clearly list any proposed Subcontractors and the Subcontractor's proposed responsibilities. The Subcontract shall incorporate by reference the terms and conditions of this Contract.



Uniform Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



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

6. Risk and Liability

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

6.2. Indemnification

6.2.1. Contractor/Vendor Indemnification (Not Public Agency). To the fullest extent permitted by law, Contractor shall defend, indemnify, and hold harmless the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees (hereinafter referred to as "Indemnitee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of Contractor or any of its owners, officers, directors, agents, employees or Subcontractors. This indemnity includes any claim or amount arising out of, or recovered under, the Workers' Compensation Law or arising out of the failure of such Contractor to conform to any federal, state, or local law, statute, ordinance, rule, regulation, or court decree. It is the specific intention of the parties that the Indemnitee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnitee, be indemnified by Contractor from and against any and all claims. It is agreed that Contractor will be responsible for primary loss investigation, defense, and judgment costs where this indemnification is applicable. In consideration of the award of this contract, the Contractor agrees to waive all rights of subrogation against the State of Arizona, its officers, officials, agents, and employees for losses arising from the work performed by the Contractor for the State of Arizona. This indemnity shall not apply if the Contractor or Subcontractor(s) is/are an agency, board, commission or university of the State of Arizona.

6.2.2. Public Agency Language Only. Each party (as 'indemnitor') agrees to indemnify, defend, and hold harmless the other party (as 'indemnitee') from and against any and all claims, losses, liability, costs, or expenses (including reasonable



Uniform Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



attorney's fees) (hereinafter collectively referred to as 'claims') arising out of bodily injury of any person (including death) or property damage but only to the extent that such claims which result in vicarious/derivative liability to the indemnitee, are caused by the act, omission, negligence, misconduct, or other fault of the indemnitor, its officers, officials, agents, employees, or volunteers.

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

6.4. Force Majeure.

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

6.4.2. Force Majeure shall not include the following occurrences:

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

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

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

6.4.3. If either the Contractor or State is delayed at any time in the progress of the work by force majeure, the delayed party shall notify the other party in writing of such delay, as soon as is practicable and no later than the following working day, of



Uniform Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



the commencement thereof and shall specify the causes of such delay in such notice. Such notice shall be delivered or mailed certified-return receipt and shall make a specific reference to this article, thereby invoking its provisions. The delayed party shall cause such delay to cease as soon as practicable and shall notify the other party in writing when it has done so. The time of completion shall be extended by Contract Amendment for a period of time equal to the time that results or effects of such delay prevent the delayed party from performing in accordance with this Contract.

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

6.5. Third Party Antitrust Violations. The Contractor assigns to the State any claim for overcharges resulting from antitrust violations to the extent that those violations concern Materials or Services supplied by third parties to the Contractor, toward fulfillment of this Contract.

7. Warranties

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

7.2. Quality. Unless otherwise modified elsewhere in the Special Terms and Conditions, the Contractor warrants that, for one (1) year after acceptance by the State of the Materials, they shall be:

7.2.1. Of a quality to pass without objection in the trade under the Contract description;

7.2.2. Fit for the intended purposes for which the Materials are used;

7.2.3. Within the variations permitted by the Contract and are of even kind, quantity, and quality within each unit and among all units;

7.2.4. Adequately contained, packaged, and marked as the Contract may require; and

7.2.5. Conform to the written promises or affirmations of fact made by the Contractor.

7.3. Conformity to Requirements.

7.3.1. Contractor warrants that, unless expressly provided otherwise elsewhere in the Contract, the Materials and Services will for one (1) year after acceptance and in each instance:



Uniform Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



- 7.3.1.1. 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 and all Contractor affirmations included as part of the Contract;
 - 7.3.1.2. Be free from defects of material and workmanship;
 - 7.3.1.3. Conform to or perform in a manner consistent with current industry standards; and
 - 7.3.1.4. Be fit for the intended purpose or use described in the Contract.
- 7.3.2. Mere delivery or performance does not substitute for express acceptance by the State. Where inspection, testing, or other acceptance assessment of Materials or Services cannot be done until after installation or invoicing, the forgoing warranty will not begin until State's explicit acceptance of the Materials or Services.
- 7.4. Inspection/Testing. The warranties set forth in this Section 7 [Warranties] are not affected by inspection or testing of or payment for the Materials or Services by the State.
- 7.5. Contractor Personnel. Contractor warrants that its personnel will perform their duties under the Contract in a professional manner, applying the requisite skills and knowledge, consistent with industry standards, and in accordance with the requirements of the Contract. Contractor further warrants that its key personnel will maintain any and all certifications relevant to their work, and Contractor shall provide individual evidence of certification to State's authorized representatives upon request.
- 7.6. Compliance With Applicable Laws. The Materials and Services supplied under this Contract shall comply with all applicable federal, state, and local laws and policies (including, but not limited to, information technology policies, standards, and procedures available on the State's website and/or the website of any department, commission, council, board, bureau, committee, institution, agency, government corporation or other establishment or official of the executive branch or corporation commission of the State of Arizona). Federal requirements may be incorporated into this Contract, if required, pursuant to A.R.S. § 41-2637. Contractor shall maintain any and all applicable license and permit requirements. This requirement includes, but is not limited to, any and all Arizona state statutes that impact state contracts, regardless of whether those statutory references have been removed during the course of contract negotiations; this is notice to Contractors that the State does not have the authority to modify Arizona state law by contract.
- 7.7. Intellectual Property. Contractor warrants that the Materials and Services do not and will not infringe or violate any patent, trademark, copyright, trade secret, or other intellectual



Uniform Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



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.

- 7.8. Licenses and Permits. Contractor warrants that it will maintain all licenses required to fully perform its duties under the Contract and all required permits valid and in force.
- 7.9. Operational Continuity. Contractor warrants that it will perform without relief notwithstanding being sold or acquired; no such event will operate to mitigate or alter any of Contractor's duties hereunder absent a consented delegation under paragraph 5.3 [Assignment and Delegation] that expressly recognizes the event.
- 7.10. Performance in Public Health Emergency. Contractor warrants that it will:
- 7.10.1. 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:
 - 7.10.1.1. Identification of response personnel by name;
 - 7.10.1.2. Key succession and performance responses in the event of sudden and significant decrease in workforce; and
 - 7.10.1.3. Alternative avenues to keep sufficient product on hand or in the supply chain.
 - 7.10.2. Provide a copy of its current plan to State within three (3) business days after State's written request. If Contractor claims relief under paragraph 6.4 [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.
 - 7.10.3. A request from the State related to this paragraph 7.10 does not necessarily indicate that there has been an occurrence of force majeure, and the Contractor will not be entitled to any additional compensation or extension of time by virtue of having to implement a plan.
 - 7.10.4. Failure to have or implement an appropriate plan will be a material breach of contract.
- 7.11. Lobbying



Uniform Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



- 7.11.1. Prohibition. Contractor warrants that it will not engage in lobbying activities, as defined in 40 Code of Federal Regulations (CFR) part 34 and A.R.S. § 41-1231, *et seq.*, using monies awarded under the Contract, provided that, the foregoing does not intend to constrain Contractor's use of its own monies or property, including without limitation any net proceeds duly realized under the Contract or any value thereafter derived from those proceeds; and upon award of the Contract, it will disclose all lobbying activities to State to the extent they are an actual or potential conflict of interest or where such activities could create an appearance of impropriety. Contractor shall implement and maintain adequate controls to assure compliance with above. 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 7.11 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.
- 7.12. Covered Telecommunications or Services. Contractor warrants that the Materials and Services rendered under this Agreement will not require Contractor to use for the State, or provide to the State to use, "covered telecommunications equipment or Services" as a substantial or essential component of any system, or as critical technology as part of any system, within the meaning of Federal Acquisition Regulation ("FAR") Section 52.204-25.
- 7.13. Debarment, Suspension, U.S. Government Restricted Party Lists. Contractor warrants that it is not, and its Subcontractors are not, on the U.S. government's Denied Parties List, the Unverified List, the Entities List, the Specially Designated Nationals and Blocked Parties List, and neither the Contractor nor any Subcontractors are presently debarred, suspended, proposed for debarment or otherwise declared ineligible for award of federal contracts or participation in federal assistance programs or activities.
- 7.14. False Statements. Contractor represents and warrants that all statements and information Contractor prepared and submitted in response to the Solicitation or as part of the Contract documents are current, complete, true, and accurate. If the Procurement Officer determines that Contractor submitted an Offer or Bid with a false statement, or makes material misrepresentations during the performance of the Contract, the Procurement Officer may determine that Contractor has materially breached the Contract and may void the submitted Offer or Bid and any resulting Contract.



Uniform Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



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

7.15.1. Survival of Warranty. All representations and warranties made by Contractor under the Contract will survive the expiration or earlier termination of the Contract.

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

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

8. State's Contractual Remedies

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

8.2. Stop Work Order.

8.2.1. The State may, at any time, by written order to the Contractor, require the Contractor to stop all or any part of the work called for by this Contract for period(s) of days indicated by the State after the order is delivered to the Contractor. The order shall be specifically identified as a stop work order issued under this clause. Upon receipt of the order, the Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the order during the period of work stoppage.

8.2.2. If a stop work order issued under this clause is canceled or the period of the order or any extension expires, the Contractor shall resume work. The



Uniform Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



Procurement Officer shall make an equitable adjustment in the delivery schedule or Contract price, or both, and the Contract shall be amended in writing accordingly.

- 8.3. Non-exclusive Remedies. The rights and the remedies of the State under this Contract are not exclusive.
- 8.4. Nonconforming Tender. Materials or Services supplied under this Contract shall fully comply with the Contract. The delivery of Materials or Services or a portion of the Materials or Services that do not fully comply constitutes a breach of contract. On delivery of nonconforming Materials or Services, the State may terminate the Contract for default under applicable termination clauses in the Contract, exercise any of its rights and remedies under the Uniform Commercial Code, or pursue any other right or remedy available to it.
- 8.5. Right of Offset. The State shall be entitled to offset against any sums due the Contractor, any expenses or costs incurred by the State, or damages assessed by the State concerning the Contractor's non-conforming performance or failure to perform the Contract, including expenses, costs and damages described in the Uniform Terms and Conditions.

9. Contract Termination

- 9.1. Cancellation for Conflict of Interest. Pursuant to A.R.S. § 38-511, the State may cancel this Contract within three (3) years after Contract execution without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating the Contract on behalf of the State is or becomes at any time while the Contract or an extension of the Contract is in effect an employee of or a consultant to any other party to this Contract with respect to the subject matter of the Contract. The cancellation shall be effective when the Contractor receives written notice of the cancellation unless the notice specifies a later time. If the Contractor is a political subdivision of the State, it may also cancel this Contract as provided in A.R.S. § 38-511.
- 9.2. Gratuities. The State may, by written notice, terminate this Contract, in whole or in part, if the State determines that employment or a Gratuity was offered or made by the Contractor or a representative of the Contractor to any officer or employee of the State with the purpose of influencing the outcome of the procurement or securing the Contract, an amendment to the Contract, or favorable treatment concerning the Contract, including the making of any determination or decision about contract performance. The State, in addition to any other rights or remedies, shall be entitled to recover exemplary damages in the amount of three (3) times the value of the Gratuity offered by the Contractor.



Uniform Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



- 9.3. Suspension or Debarment. The State may, by written notice to the Contractor, immediately terminate this Contract if the State determines that the Contractor has been debarred, suspended or otherwise lawfully prohibited from participating in any public procurement activity, including but not limited to, being disapproved as a Subcontractor of any public procurement unit or other governmental body. Submittal of an offer or execution of a contract shall attest that the Contractor is not currently suspended or debarred. If the Contractor becomes suspended or debarred, the Contractor shall immediately notify the State.
- 9.4. Termination for Convenience. The State reserves the right to terminate the Contract, in whole or in part at any time when in the best interest of the State, without penalty or recourse. Upon receipt of the written notice, the Contractor shall stop all work, as directed in the notice, notify all Subcontractors of the effective date of the termination and minimize all further costs to the State. In the event of termination under this paragraph, all documents, Data and reports prepared by the Contractor under the Contract shall become the property of and be delivered to the State upon demand. The Contractor shall be entitled to receive just and equitable compensation for work in progress, work completed, and Materials or Services accepted before the effective date of the termination. The cost principles and procedures provided in A.R.S. § 41-2543 and A.A.C. Title 2, Chapter 7, Article 7, shall apply.
- 9.5. Termination for Default.
- 9.5.1. In addition to the rights reserved in the contract, the State may terminate the Contract in whole or in part due to the failure of the Contractor to comply with any term or condition of the Contract, to acquire and maintain all required insurance policies, bonds, licenses and permits, or to make satisfactory progress in performing the Contract. The Procurement Officer shall provide written notice of the termination and the reasons for it to the Contractor.
- 9.5.2. Upon termination under this paragraph, all goods, Materials, documents, Data, and reports prepared by the Contractor under the Contract shall become the property of and be delivered to the State on demand.
- 9.5.3. The State may, upon termination of this Contract, procure, on terms and in the manner that it deems appropriate, Materials or Services to replace those under this Contract. The Contractor shall be liable to the State for any excess costs incurred by the State in procuring Materials or Services in substitution for those due from the Contractor.



Uniform Terms and Conditions
Request for Proposal
Solicitation No. BPM007546
Secured Behavioral Health Residential Facility
YH26-0005



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

10. Contract Claims

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

11. Arbitration

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