STATE OF NORTH CAROLINA **DEPARTMENT OF ENVIRONMENTAL QUALITY (NCDEQ)**	**REQUEST FOR PROPOSAL NO. 16-101389-000**
	Contract Name: NCDEQ AI Environmental Permit Review Tool Pilot
	Bid Opening Date: January 5, 2027, at 2:00 PM ET
Refer ALL inquiries regarding this RFP to: Name: Leroy Kodak Email: leroy.kodak@deq.nc.gov	Issue Date: November 9, 2026
	Commodity Code:
	Purchasing Agency: NCDEQ
	Requisition No.: N/A

OFFER

The Purchasing Agency solicits offers for Services and/or goods described in this solicitation. All offers and responses received shall be treated as Offers to contract as defined in 9 NCAC 06A.0102(12).

EXECUTION

In compliance with this Request for Proposal (RFP), and subject to all the conditions herein, the undersigned offers and agrees to furnish any or all Services or goods upon which prices are offered, at the price(s) offered herein, within the time specified herein.

Failure to execute/sign offer prior to submittal shall render offer invalid. Late offers are not acceptable.

OFFEROR:		
STREET ADDRESS:	P.O. BOX:	ZIP:
CITY, STATE & ZIP:	PHONE:	
NAME & TITLE OF PERSON SIGNING:	E-MAIL:	
AUTHORIZED SIGNATURE:	DATE:	

Offer valid for one hundred twenty (120) days from date of offer opening unless otherwise stated here: ____ days

ACCEPTANCE OF OFFER

If any or all parts of this offer are accepted, an authorized representative of NCDEQ Procurement shall affix its signature hereto and any subsequent Request for Best and Final Offer, if issued. Acceptance shall create a contract having an order of precedence as follows: Best and Final Offers, if any, Special terms and conditions specific to this RFP, Specifications of the RFP, the Department of Information Technology Terms and Conditions, and the agreed portion of the awarded Vendor's Offer. A copy of this acceptance will be forwarded to the awarded Vendor(s).

FOR PURCHASING AGENCY USE ONLY

Offer accepted and contract awarded this date _____ , as indicated on attached certification,

by _____ (Authorized representative of NCDEQ Procurement).

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1.0 ANTICIPATED PROCUREMENT SCHEDULE

The Agency Procurement Agent will make every effort to adhere to the following schedule:

Action	Responsibility	Date
RFP Issued	Agency	11/9/2026
Written Questions Deadline	Potential Vendors	11/18/2026 before 12:00 Noon
Agency's Response to Written Questions/ RFP Addendum Issued	Agency	Estimated 11/30/2026
Offer Opening Deadline	Vendor(s)	1/5/2027 at 2:00 PM ET
Offer Evaluation	Agency	Estimated 1/6/2027 through 2/15/2027
Selection of Finalists	Agency	Estimated 2/22/2027
Oral Presentations and/or Product Demonstrations by Finalists (Optional)	Selected Vendors	TBD
Negotiations with Finalists	Agency designees and selected Vendor(s)	TBD
Best and Final Offers Deadline from Finalists	Selected Vendors	TBD
Contract Award	Agency	Estimated On or Before 3/31/2027
Protest Deadline	Responding Vendors	15 days after award

2.0 PURPOSE OF RFP

2.1 INTRODUCTION

In accordance with North Carolina Session Law 2026-41, Section 12.23, the North Carolina Department of Environmental Quality (NCDEQ), in partnership with the North Carolina Department of Information Technology (NCDIT), is seeking proposals from qualified vendors to design, develop, and implement innovative Artificial Intelligence (AI) solutions to improve the efficiency of environmental permitting, compliance, and public engagement processes.

2.2 AGENCY BACKGROUND

The North Carolina Department of Environmental Quality is responsible for protecting the state's natural resources and ensuring public health through effective environmental regulations. In recent years, NCDEQ's AI Task Force and Permitting Transformation Program (PTP) have identified opportunities to leverage modern technology – including artificial intelligence – to improve the efficiency, transparency, and effectiveness of key business processes such as permit application review, public participation, compliance monitoring, and data management. The funding from the NCGA provides an opportunity for NCDEQ to test the benefits in a pilot setting.

2.3 SUMMARY OF PROBLEM STATEMENT

NCDEQ is committed to harnessing the power of AI to enhance environmental stewardship and regulatory efficiency in North Carolina. Through this RFP, we seek forward-thinking partners who can deliver cutting-edge solutions for our permitting and compliance challenges, starting with the pilots described in this RFP. The success of these projects will not only improve our current operations but also lay the groundwork for future innovations such as digital accessibility improvements, advanced data analytics for pollution prevention, and comprehensive information integration across our programs.

Vendors are encouraged to propose solutions that are innovative, cost-effective, and aligned with NCDEQ's mission of ensuring a healthy environment and a strong economy. Together, we can demonstrate how responsible use of AI can streamline government services and improve outcomes for both our agency and the public we serve.

AI Use Cases Overview: NCDEQ has identified four (4) priority AI Use Cases for implementation that align with agency goals and legislative funding objectives. Selected through stakeholder engagement and internal workshops, these initiatives address high-value opportunities across multiple DEQ Divisions. The proposed Use Cases are expected to improve operational efficiency, reduce processing times, enhance regulatory compliance, and strengthen service delivery to the public. Summaries of the four (4) Use Cases are provided below:

Use Case 1 - Permit Application Completeness Check: Objective: Implement an AI-powered permit application completeness review solution that assists applicants while they are preparing and submitting permit applications and supports NCDEQ staff in reviewing submitted applications. The solution will automatically evaluate application content against state and federal regulatory requirements, program-specific checklists, and submission standards to identify missing information, documentation deficiencies, inconsistencies, and potential incompleteness in administrative and/or technical requirements. For applicants, the solution will provide real-time feedback, explainable recommendations, and guidance on required information and supporting documentation before submission. For NCDEQ staff, the solution will support application classification, routing, and the generation of structured completeness reports that highlight potential deficiencies and areas requiring further review. By reducing manual screening, rework, and applicant resubmissions while maintaining a human-in-the-loop decision process, the solution will improve permitting efficiency, consistency, application quality, and processing timelines. Based on related permit completeness use case materials and RFP language already in circulation, the concept aligns with both applicant-facing pre-submission assistance and staff-facing completeness review workflows.

Use Case 2 - Public Comments Summary: Objective: Implement an AI-assisted public comment management solution that ingests and processes comments from multiple formats and channels, including text, handwritten submissions, audio recordings, scanned documents, images, maps, charts, and public hearing transcripts. The solution will convert content into searchable records; identify, categorize, and consolidate related comments; analyze sentiment and recurring themes; generate structured summaries, reports, dashboards; and maintain traceability to original submissions for transparency and verification. Human review and approval will remain required for all summaries, responses, and public-facing outputs. The goal is to preserve records, reduce manual effort, improve consistency and transparency, and accelerate informed decision-making during environmental permitting and rulemaking processes.

Use Case 3 - Permit Assistance: Objective: Implement an AI-powered Permit Assistance solution that helps applicants identify the appropriate permits, registrations, notifications, or approvals required for their projects and guides them through the applicable regulatory processes. The solution is to provide personalized permitting guidance based on project details, direct users to the correct divisions, websites, forms, and resources, answer common permitting questions using agency guidance and regulations, and support applicants with submission requirements, fees, renewals, modifications, and transfers. By helping users navigate permitting requirements accurately and efficiently, the solution will reduce confusion,

minimize application errors and incomplete submissions, improve customer experience, and accelerate the path to regulatory reviews and efficient permit issuance.

Use Case 4 - Site Permit History Compilation: Objective: Implement an AI-powered Site Permit History Compilation solution that automatically aggregates records from multiple regulatory programs and generates summaries for regulators making planning, permitting, compliance, and other programmatic decisions. The solution will identify permit issuances, renewals, modifications, transfers, closures, inspections, violations, enforcement actions, penalties, corrective actions, and associated documentation; link supporting correspondence, reports, and regulatory filings; highlight compliance trends, recurring issues, and significant regulatory milestones; and generate site-specific summaries, reports, and visual timelines for regulators making planning, permitting, compliance, and other programmatic decisions. By consolidating historical information into a single, searchable view, the solution will reduce manual research effort, improve the accuracy and completeness of regulatory history assessments, and support more efficient due diligence, permit decision making, environmental assessments, and compliance reviews.

Legislative Intent: This procurement is authorized and governed by North Carolina Session Law 2026-41, Section 12.23 (the AI Environmental Permit Review Pilot Program). In accordance with this law, NCDEQ – in consultation with NCDIT – shall implement an AI-assisted pilot program to modernize and improve the efficiency of permit and plan reviews across multiple environmental permitting programs.

2.4 CONTRACT TERM

A contract awarded pursuant to this RFP shall have an effective date as provided in the Notice of Award. The term shall be one (1) year, and will expire upon the anniversary date of the effective date unless otherwise stated in the Notice of Award, or unless terminated earlier. The State retains the option to extend the Agreement for O&M of the Pilot program for two (2) optional one (1) year periods at its sole discretion.

2.5 EFFECTIVE DATE

This solicitation, including any Exhibits, or any resulting contract or amendment shall not become effective nor bind the State until the appropriate State purchasing authority/official or Agency official has signed the document(s), contract or amendment; the effective award date has been completed on the document(s), by the State purchasing official, and that date has arrived or passed. The State shall not be responsible for reimbursing the Vendor for goods provided nor Services rendered prior to the appropriate signatures and the arrival of the effective date of the Agreement. No contract shall be binding on the State until an encumbrance of funds has been made for payment of the sums due under the Agreement.

2.6 CONTRACT TYPE

NCDEQ intends to make multiple awards under this RFP. This multi-award approach recognizes that each Use Case addresses different functional areas and may require distinct expertise or technologies. By engaging multiple specialized vendors, NCDEQ aims to increase the likelihood of success for each pilot, allow for focused innovation in each domain, and compare different vendor approaches to AI in government.

Therefore, the State reserves the right to make partial, progressive, or multiple awards where it is advantageous to award separately by items; or where other factors are deemed to be necessary or proper to the purchase in question.

Single or Multiple Proposal Submissions: A vendor may propose on any number of use case projects. The proposal should clearly state which Use Case(s) it is for. If proposing for more than one Use Case, the vendor should indicate whether the solution will leverage a unified platform or separate tailored solutions for each use case, and how this approach provides synergies or efficiencies (if any). NCDEQ may award

each Use Case to different vendors or choose a single vendor for multiple Use Cases, depending on proposal quality and the best interests of the State. Each Use Case proposal will be evaluated on its own merits.

Coordination Requirements: All awarded vendors will be expected to collaborate with NCDEQ's team, NCDIT, and each other (if two different vendors are selected) to ensure knowledge sharing, compatibility of solutions, and avoidance of redundant efforts. This is particularly important in areas such as data integration and security, where multiple solutions may need to operate in the NCDEQ environment simultaneously. Joint planning sessions may be held to coordinate on common requirements (for example, integrating with NCDEQ's systems or aligning with NC's Responsible AI Framework – see Section VII) across the projects.

3.0 RFP REQUIREMENTS AND SPECIFICATIONS

3.1 GENERAL REQUIREMENTS AND SPECIFICATIONS

3.1.1 REQUIREMENTS

Requirement means, as used herein, a function, feature, or performance that the System must provide. If the offer cannot meet the requirements, the offer will not be evaluated.

3.1.2 SPECIFICATIONS

Specification means, as used herein, a detailed description that documents the function and performance of a system or system component.

The apparent silence of the specifications as to any detail, or the apparent omission of detailed description concerning any point, shall be regarded as meaning that only the best commercial practice is to prevail and that only processes, configurations, materials and workmanship of the first quality may be used. Upon any notice of noncompliance provided by the State, Vendor shall supply proof of compliance with the specifications. Vendor must provide written notice of its intent to deliver alternate or substitute Services, products, goods or other Deliverables. Alternate or substitute Services, products, goods or Deliverables may be accepted or rejected in the sole discretion of the State; and any such alternates or substitutes must be accompanied by Vendor's certification and evidence satisfactory to the State that the function, characteristics, performance and endurance will be equal or superior to the original Deliverables specified.

3.1.3 SITE AND SYSTEM PREPARATION

Vendors shall provide the Purchasing State Agency complete site requirement specifications for the Deliverables, if any. These specifications shall ensure that the Deliverables to be installed or implemented shall operate properly and efficiently within the site and system environment. Any alterations or modifications in site preparation, which are directly attributable to incomplete or erroneous specifications provided by the Vendor and which would involve additional expenses to the State, shall be made at the expense of the Vendor.

3.1.4 EQUIVALENT ITEMS

Whenever a material, article or piece of equipment is identified in the specification(s) by reference to a manufacturer's or Vendor's name, trade name, catalog number or similar identifier, it is intended to establish a standard for determining substantial conformity during evaluation, unless otherwise specifically stated as a brand-specific requirement (no substitute items will be allowed). Any material, article, or piece of equipment of other manufacturers or Vendors shall perform to the standard of the item named. Equivalent offers must be accompanied by sufficient descriptive literature and/or specifications to provide for detailed comparison.

3.1.5 ENTERPRISE LICENSING

In offering the best value to the State, Vendors are encouraged to leverage the State's existing resources and license agreements, which can be viewed here:

https://it.nc.gov/resources/statewide-it-procurement/statewide-it-contracts

a) Identify components or products that are needed for your solution that may not be available with the State's existing license agreement.

b) Identify and explain any components that are missing from the State's existing license agreement.

c) If the Vendor can provide a more cost effective licensing agreement, please explain in detail the agreement and how it would benefit the State.

3.2 SECURITY SPECIFICATIONS

3.2.1 SOLUTIONS HOSTED ON STATE INFRASTRUCTURE

Vendors shall provide a completed Vendor Readiness Assessment Report State Hosted Solutions ("VRAR") at offer submission. This report is located at the following website:

https://it.nc.gov/documents/vendor-readiness-assessment-report

The NCDEQ AI Tool for Permitting will be required to receive and securely manage data that is classified as Public. Refer to the North Carolina Statewide Data Classification and Handling policy for more information regarding this data classification. The policy is located at the following website: https://it.nc.gov/document/statewide-data-classification-and-handling-policy

To comply with the State's Security Standards and Policies, State agencies are required to perform annual security/risk assessments on their information systems using NIST 800-53 controls.

3.2.2 SOLUTIONS NOT HOSTED ON STATE INFRASTRUCTURE

The Agency (named on page one (1)) has designated this solicitation to receive and securely manage data that is classified as:

Agency has selected:

☐ **Restricted** - Restricted data represents the highest risk to the State, State Agencies, and constituents if it is disclosed or compromised. This information is likely to be regulated by State or Federal law, and access to it is restricted to a limited audience (e.g., State and Federal Tax Information [FTI], Payment Card data, Protected Health Information [PHI], Criminal Justice Information [CJI], Social Security Administration provided information, etc.)

☐ **Confidential** - Includes information that is limited to a small audience with a need-to-know or legitimate business case (e.g., State employee personnel records, trade secrets, student records, sensitive public security information, etc.). If exposed to unauthorized parties, data from this category will cause high impact consequences such as regulatory fines, inability to recruit talent, loss of confidence, and/or damage to vendor relationships. This is not a complete list and is subject to legislative changes.

☐ **Internal** - This is information typically used within the agency and not for public sharing. Most documents are classified as Internal within the organization, and most State employees would have access. This type of data, if exposed to unauthorized parties, would have a very limited impact on an agency's reputation, compliance requirements or ability to achieve strategic goals. Internally classified data does not contain direct identifiers. Often, the effects of the loss of data can be recognized in very subtle ways and may not lead to clear negative consequences causing confusion due to lack of context or minor reputational harm.

■ **Public** - Data that is open to public inspection according to state and federal law, or readily available through public sources.

Refer to the North Carolina Statewide Data Classification and Handling policy for more information regarding data classification. The policy is located at the following website: https://it.nc.gov/document/statewide-data-classification-and-handling-policy.

To comply with the State's Security Standards and Policies, State agencies are required to perform annual security/risk assessments on their information systems using NIST 800-53 controls.

This requirement additionally applies to all Vendor-provided, agency-managed Infrastructure as a Service (IaaS), Platform as a Service (PaaS), and Software as a Service (SaaS) solutions which will handle data classified as Internal, Confidential, or Restricted.

(a) To comply with the State's Security Standards and Policies, cloud products are required to comply with applicable FedRAMP or GovRAMP security requirements, including but not limited to, continuous monitoring, incident response, and data classification as outlined in GovRAMP documentation.

(b) To streamline and standardize this requirement the State has adopted GovRAMP which is a Risk and Authorization Management Program that provides a standardized approach to security assessment, authorization, and continuous monitoring for cloud products and services. GovRAMP's security verification model is based on NIST 800-53 Rev. 5 (or current).

(c) The required GovRAMP verified status will depend on the sensitivity of the data and processes supported by the solution as defined in the Statewide Data Classification and Handling Policy.

(d) For purposes of this solicitation, in accordance with the North Carolina Department of Information Technology Statewide Information Security Manual, a GovRAMP verified status of internal is required. At offer submission, if the protected system does not currently hold a validated GovRAMP status, the Vendor will be required to provide their GovRAMP Security Snapshot Score and upon request, the complete Snapshot Matrix. If awarded the contract, Vendor shall have an interim period from the effective date of the contract to achieve the verified GovRAMP status outlined above. The interim time periods for each data classification that requires a verified status are further described below. The Vendor shall provision access to the State to their continuous monitoring packages at a [standard] or [elevated] access level within fourteen (14) days of contract award, and seven (7) days of any subsequent GovRAMP status changes. If a non-disclosure agreement (NDA) is required by the Vendor, a copy of the NDA must be uploaded with the response and executed by the Vendor and the State at the time of contract award.

i) Public - For third-party cloud services where the highest category of information to be processed is Public data, the Vendor must submit an updated score for the product annually throughout the contract duration that meets or exceeds the original score at time of contract award. Products with GovRAMP Core, Ready, Authorized or Provisionally Authorized statuses or FedRAMP Rev. 5 authorization also satisfy the security requirement.

ii) Internal - For third-party cloud services where the highest category of information to be processed is Internal data, the Vendor must either achieve the status of GovRAMP Core prior to award, or agree to achieve GovRAMP Core status within an interim time period, no later than twelve (12) months from the effective date of the contract.

iii) Confidential - For third-party cloud services where the highest category of information to be processed is Confidential data, the Vendor must either achieve a status of GovRAMP Ready, or agree to achieve GovRAMP Ready status no later than fifteen (15) months from the effective date of the contract.

iv) Restricted - For third-party cloud services where the highest category of information to be processed is Restricted Data, the Vendor must either achieve a status of GovRAMP Authorized, or agree to achieve GovRAMP Authorized status no later than twenty-one (21) months from the effective date of the contract.

Upon contract award, Vendor's who submitted a GovRAMP Security Snapshot Score will be required to enroll in the GovRAMP Progressing Snapshot program prior to any data being transferred, stored or processed. The Vendor must complete their first Progressing Snapshot within ninety (90) days of award, with the expectation that progress will be made on a quarterly basis and access to progress reports must be provisioned to the State. Products must maintain their participation in the Progressing Snapshot program and continued access to progress reports must be provisioned to the State until such time that they have achieved the minimum verified status outlined above. The State will review the Vendor's progress on a quarterly basis and, in its sole discretion, may determine that the Vendor is not making satisfactory progress in the Progressing Snapshot program. Satisfactory progress shall be a material requirement of the contract.

(e) If the Vendor holds a FedRAMP Rev. 5 authorization at time of award, this authorization can be accepted in lieu of a GovRAMP authorization. Authorizations obtained via the FedRAMP 20x Pilot Program will not be permitted.

If the Vendor's cloud product currently holds a FedRAMP Authorized designation, at the time of award, the State may require the Vendor to initiate and actively pursue, within thirty (30) days of award, the GovRAMP Fast Track Process, to achieve a GovRAMP Provisionally Authorized or Authorized status in order to satisfy Statewide continuous monitoring requirements.

(f) Additional Security Documentation. Prior to contract award, the State may in its discretion require the Vendor to provide additional security documentation, including but not limited to, vulnerability assessment reports and penetration test reports. The awarded Vendor shall provide additional security documentation upon request by the State during the term of the contract.

Refer to: https://it.nc.gov/documents/statewide-glossary-information-technology-terms for descriptions of the Application Criticality categories.

Refer to: http://nvlpubs.nist.gov/nistpubs/FIPS/NIST.FIPS.199.pdf for descriptions of NIST system confidentiality, integrity, and availability categories.

3.3 ENTERPRISE SPECIFICATIONS

3.3.1 ARCHITECTURE DIAGRAMS

The State utilizes architectural diagrams to better understand the design and technologies of a proposed solution. The two diagrams are the Network Architecture and Technology Stack. Details on these diagrams can be found at the following link: https://it.nc.gov/resources/statewide-it-procurement/vendor-engagement-resources#Tab-Architecture-1192

The provision of these two diagrams is a requested at offer submission. If they are not supplied at that time, the State will formally request them of the Vendor and if they are not supplied within seven (7) calendar days, the Vendor's offer will be considered non-responsive and will not be evaluated.

There may be additional architectural diagrams requested of the vendor after contract award. This will be communicated to the vendor by the agency as needed during the project.

3.3.2 SOLUTION ROADMAP

A Solution Roadmap defines the vision and strategic elements of the solution. The Solution Roadmap is a plan of action for how a Solution will evolve over time. The minimum content should include:

- Vision for the solution
- High-level functionality expected for each solution release into production environment
- High-level timeline
- Description of how customer feedback is collected and incorporated into solution enhancements

Describe the solution roadmap for your product. Include content on release strategies for functionality, roadmap for technical architecture, how scalability of solution is planned.

3.3.3 IDENTITY AND ACCESS MANAGEMENT

The proposed solution must externalize identity and access management. The protocols describing the State's Identity and Access Management can be found at the following link: https://it.nc.gov/services/vendor-engagement-resources#Tab-IdentityAccessManagement-1241

Describe how your solution supports the above protocols, as well as making them available for application integration/consumption.

3.3.4 INTEGRATION APPROACH

Describe proposed solution capabilities to interoperate with other solutions. Identify the standards supported, integrations platforms, adaptors, APIs, and the like.

3.3.5 DISASTER RECOVERY AND BUSINESS CONTINUITY

Describe the proposed solution capabilities related to the following areas:

Disaster Recovery Plan (DRP) – describe how proposed solution supports Recovery Point Objectives (RPO) and Recovery Time Objectives (RTO) metrics.

System Backup – describe backup plan capabilities.

Disaster Recovery Testing – describe the frequency and test procedures for end-to-end disaster recovery testing. Business Continuity Plan (BCP) – describe capabilities proposed solution can provide in support of agency's continuity of operations and incident responses.

3.3.6 DATA MIGRATION

Data migration is not anticipated for this effort. State Data will remain in DEQ systems.

3.3.7 APPLICATION MANAGEMENT

Describe how the proposed solution monitors and reports the metrics on system performance.

Describe how the proposed solution manages user administration.

Describe the audit capabilities of proposed solution related to management of the application.

3.3.8 ACCESSIBILITY

Describe how the proposed solution complies with industry accessibility standards.

Provide product documentation that demonstrates how the proposed solution is digitally accessible or if not fully accessible, provide the roadmap with timeline for remediation.

Standards include:

- State of North Carolina Digital Accessibility & Usability Standard

- W3C Web Accessibility Initiative - Web Content Accessibility Guidelines (WCAG) 2.1: https://www.w3.org/TR/WCAG21/
- Section 508: https://www.section508.gov/
- Voluntary Product Accessibility Template (VPAT®): https://www.itic.org/policy/accessibility/vpat

ENTERPRISE, SERVICES, AND STANDARDS

Vendors should refer to the Vendor Resources Page for information on North Carolina Department of Information Technology regarding architecture, security, strategy, data, digital, identity and access management and other general information on doing business with state IT process. The Vendor Resources Page is found at the following link: https://it.nc.gov/vendor-engagement-resources. This site provides vendors with statewide information and links referenced throughout the RFP document. Agencies may request additional information.

3.4 BUSINESS AND TECHNICAL REQUIREMENTS

3.4.1. The vendor, in addition to any parent entity, must be incorporated and headquartered in the United States and maintain all data collected, stored, or processed under the contract on servers physically located in the United States.

3.4.2. The vendor's platform must be capable of providing AI-assisted review of permit and license applications across multiple environmental permitting programs, including programs related to air quality, wastewater, stormwater, solid waste, underground storage tanks, mining, well construction, erosion and sedimentation control, riparian buffers, surface and ground water withdrawals, coastal development, and marine fisheries and aquaculture. A platform that is limited to only construction or building permits does not meet this qualification.

3.4.3. The vendor must demonstrate existing or previous deployments or pilots with State-level government agencies. A vendor that only has experience working with municipal or county building departments does not meet this qualification.

3.4.4. The vendor's platform must feature an AI-native architecture, purposefully designed to utilize AI technology. A legacy platform retrofitted to enable the use of AI technology on the platform does not meet this qualification.

3.4.5. The vendor's platform must feature both an applicant-facing, pre-submission compliance tool and a staff-facing, first-review tool as part of a single, integrated platform. These capabilities shall not be offered as separate, stand-alone products requiring separate vendor relationships.

3.4.6. The vendor's platform must support AI-assisted review of regulatory filing documents, including narrative applications, financial disclosures, compliance certifications, structured forms, and handwritten materials. A platform that is limited to reviewing architectural drawings, computer-aided design (CAD) files, building information modeling (BIM) files, or construction plans does not meet this qualification.

3.4.7. The Vendor must provide a Training Plan for the adoption for all offered Use Cases.

3.5 BUSINESS AND TECHNICAL SPECIFICATIONS

3.5.1 SEE ATTACHMENT I - USE CASE SCENARIO REQUIREMENTS AND SPECIFICATIONS

4.0 COST OF VENDOR'S OFFER

4.1 OFFER COSTS

The Vendor must list, itemize, and describe any applicable offer costs in **ATTACHMENT D: COST FORM.**

4.2 PAYMENT SCHEDULE

The Vendor shall propose its itemized payment schedule based on the milestones in the table below. All payments must be based upon acceptance of one or more Deliverables.

5.0 EVALUATION

5.1 SOURCE SELECTION

A trade-off/ranking method of source selection will be utilized in this procurement to allow the State to award this RFP to the Vendor providing the Best Value and recognizing that Best Value may result in award other than the lowest price or highest technically qualified offer. By using this method, the overall ranking may be adjusted up or down when considered with or traded-off against other non-price factors.

a) Evaluation Process Explanation. State Agency employees will review all offers. All offers will be initially classified as being responsive or non-responsive. If an offer is found non-responsive, it will not be considered further. All responsive offers will be evaluated based on stated evaluation criteria. Any references in an answer to another location in the RFP materials or Offer shall have specific page numbers and sections stated in the reference.
b) To be eligible for consideration, Vendor's offer must substantially conform to the intent of all specifications. Compliance with the intent of all specifications will be determined by the State. Offers that do not meet the full intent of all specifications listed in this RFP may be deemed deficient. Further, a serious deficiency in the offer to any one (1) factor may be grounds for rejection regardless of overall score.
c) The evaluation committee may request clarifications, an interview with or presentation from any or all Vendors as allowed by 9 NCAC 06B.0307. However, the State may refuse to accept, in full or partially, the response to a clarification request given by any Vendor. Vendors are cautioned that the evaluators are not required to request clarifications; therefore, all offers should be complete and reflect the most favorable terms. Vendors should be prepared to send qualified personnel to Raleigh, North Carolina, to discuss technical and contractual aspects of the offer.
d) Vendors are advised that the State is not obligated to ask for, or accept after the closing date for receipt of offer, data that is essential for a complete and thorough evaluation of the offer.

5.2 EVALUATION CRITERIA

Evaluation shall include best value, as the term is defined in N.C.G.S. § 143-135.9(a)(1), compliance with information technology project management policies as defined by N.C.G.S. §143B-1340, compliance with information technology security standards and policies, substantial conformity with the specifications, and other conditions set forth in the solicitation. The following Evaluation Criteria are listed in Order of Importance.

1) How well the Vendor's offer conforms with the specifications, functionality and effectiveness of the solutions to the Use Cases (refer to Attachment I – Use Case Scenario Requirements And Specifications)
2) How each Vendor's offer compares with other Vendors' offers
3) Technical Proposal of Vendor's Offered Use Case(s)
4) Vendor Past Performance relevant or material to technology area(s) (refer to Attachment G – References)
5) Total Cost of Ownership including the optional years 2 and 3 of the Contract
6) Vendor Schedule / Timeline for completing work and Project approach
7) Risks associated with Vendor's offer which includes Vendor errata and exceptions

5.3 BEST AND FINAL OFFERS (BAFO)

The State may establish a competitive range based upon evaluations of offers, and request BAFOs from the Vendor(s) within this range; e.g. "Finalist Vendor(s)". If negotiations or subsequent offers are solicited, the Vendor(s) shall provide BAFO(s) in response. Failure to deliver a BAFO when requested shall disqualify the non-responsive Vendor from further consideration. The State will evaluate BAFO(s), oral presentations, and product demonstrations as part of the Vendors' respective offers to determine the final rankings.

5.4 POSSESSION AND REVIEW

During the evaluation period and prior to award, possession of the bids and accompanying information is limited to personnel of the issuing agency, and to the committee responsible for participating in the evaluation. Vendors who attempt to gain this privileged information, or to influence the evaluation process (i.e. assist in evaluation) will be in violation of purchasing rules and their offer will not be further evaluated or considered.

After award of contract the complete bid file will be available to any interested persons with the exception of trade secrets, test information or similar proprietary information as provided by statute and rule. Any proprietary or confidential information, which conforms to exclusions from public records as provided by N.C.G.S. §132-1.2 must be clearly marked as such in the offer when submitted.

6.0 VENDOR INFORMATION AND INSTRUCTIONS

6.1 GENERAL CONDITIONS OF OFFER

6.1.1 VENDOR RESPONSIBILITY

It shall be the Vendor's responsibility to read this entire document, review all enclosures and attachments, and comply with all specifications, requirements and the State's intent as specified herein. If a Vendor discovers an inconsistency, error or omission in this solicitation, the Vendor should request a clarification from the State's contact person.

The Vendor will be responsible for investigating and recommending the most effective and efficient solution. Consideration shall be given to the stability of the proposed configuration and the future direction of technology, confirming to the best of its ability that the recommended approach is not short lived. Several approaches may exist for hardware configurations, other products and any software. The Vendor must provide a justification for their proposed hardware, product and software solution(s) along with costs thereof. Vendors are encouraged to present explanations of benefits and merits of their proposed solutions together with any accompanying Services, maintenance, warranties, value added Services or other criteria identified herein.

6.1.2 RIGHTS RESERVED

While the State has every intention to award a contract as a result of this RFP, issuance of the RFP in no way constitutes a commitment by the State of North Carolina, or the procuring Agency, to

award a contract. Upon determining that any of the following would be in its best interests, the State may:

a) waive any formality;

b) amend the solicitation;

c) cancel or terminate this RFP;

d) reject any or all offers received in response to this RFP;

e) waive any undesirable, inconsequential, or inconsistent provisions of this RFP;

f) if the response to this solicitation demonstrate a lack of competition, negotiate directly with one or more Vendors;

g) not award, or if awarded, terminate any contract if the State determines adequate State funds are not available; or

h) if all offers are found non-responsive, determine whether Waiver of Competition criteria may be satisfied, and if so, negotiate with one or more known sources of supply.

6.1.3 SOLICITATION AMENDMENTS OR REVISIONS

Any and all amendments or revisions to this document shall be made by written addendum from the Agency Procurement Office. If either a unit price or extended price is obviously in error and the other is obviously correct, the incorrect price will be disregarded.

6.1.4 ORAL EXPLANATIONS

The State will not be bound by oral explanations or instructions given at any time during the bidding process or after award. Vendor contact regarding this RFP with anyone other than the State's contact person may be grounds for rejection of said Vendor's offer. Agency contact regarding this RFP with any Vendor may be grounds for cancellation of this RFP.

6.1.5 E-PROCUREMENT SYSTEM

The State utilizes the NC eProcurement (NCEP) system to process requisitions and issue purchase orders. See http://eprocurement.nc.gov/ and General Terms and Conditions of this RFP, Electronic Procurement for more information.

a) It is the Vendor's responsibility to read these provisions carefully and to consider them in preparing the response. By signature, the Vendor acknowledges acceptance of all provisions related to NCEP.

b) The transaction fee addressed in General Terms and Condition, Electronic Payment (currently at 1.75%) applies to the purchase of goods only. It does not apply to Vendor Hosted Solutions, IaaS, PaaS, SaaS, software maintenance/support services, or any other type of services.

c) If not already registered in NCEP, the Vendor must register within two (2) days after notification of contract award.

d) The Vendor must be current on all NCEP fees prior to submitting a response. Otherwise, the State may disqualify the Vendor from participating in this solicitation.

6.1.6 ELECTRONIC VENDOR PORTAL (EVP)

The State has implemented the electronic Vendor Portal (eVP) that allow the public to retrieve award notices and information on the Internet at https://evp.nc.gov. https://www.ips.state.nc.us/ips/

Results may be found by searching by Solicitation Number or agency name. This information may not be available for several weeks dependent upon the complexity of the acquisition and the length of time to complete the evaluation process.

6.1.7 PROTEST PROCEDURES

Protests of awards exceeding $25,000 in value must be submitted to the issuing Agency at the address given on the first page of this document. Protests must be received in the purchasing agency's office within fifteen (15) calendar days from the date of this RFP award and provide specific reasons and any supporting documentation for the protest. **All protests are governed by Title 9, Department of Information Technology (formerly Office of Information Technology Services), Subchapter 06B Sections .1101 - .1121.**

6.2 GENERAL INSTRUCTIONS FOR VENDOR

6.2.1 SITE VISIT OR PRE-OFFER CONFERENCE - RESERVED

6.2.2 QUESTIONS CONCERNING THE RFP

All inquiries regarding the solicitation specifications or requirements must be addressed to the contact person listed on Page One of this solicitation via the Ariba Sourcing Tool's message board. Vendor contact regarding this Solicitation with anyone other than the contact person listed on Page One of this Solicitation may be grounds for rejection of said Vendor's offer.

Written questions concerning this Solicitation will be received until November 18, 2026, 12:00 Noon Eastern Time. The questions should be directed to the person on the title page of this RFP via the Ariba Sourcing Tool's message board. Please enter "Questions RFP 16-101389-000" as the subject for the message. Questions should be submitted in the following format:

REFERENCE	VENDOR QUESTION
RFP Section, Page Number	

6.2.3 ADDENDUM TO RFP

If a pre-offer conference is held or written questions are received prior to the submission date, an addendum comprising questions submitted and responses to such questions, or any additional terms deemed necessary by the State shall become an Addendum to this RFP and provided via the State's Ariba Sourcing Tool. Vendors' questions posed orally at any pre-offer conference must be reduced to writing by the Vendor and provided to the Purchasing Officer as directed by said Officer. Oral answers are not binding on the State.

Critical updated information may be included in any Addenda. It is important that all Vendors bidding on this RFP periodically check the State's Sourcing Tool for all Addenda that may be issued prior to the offer opening date.

6.2.4 COSTS RELATED TO OFFER SUBMISSION

Costs for developing and delivering responses to this RFP and any subsequent presentations of the offer as requested by the State are entirely the responsibility of the Vendor. The State is not liable for any expense incurred by the Vendors in the preparation and presentation of their offers.

All materials submitted in response to this RFP become the property of the State and are to be appended to any formal documentation, which would further define or expand any contractual relationship between the State and the Vendor resulting from this RFP process.

6.2.5 VENDOR ERRATA AND EXCEPTIONS

Any errata or exceptions to the State's requirements and specifications may be presented on a separate page labeled "Exceptions to Requirements and Specifications". Include references to the corresponding requirements and specifications of the Solicitation. Any deviations shall be explained in detail. **The Vendor shall not construe this paragraph as inviting deviation or implying that any deviation will be acceptable. Offers of alternative or non-equivalent goods or services may be rejected if not found substantially conforming; and if offered, must be supported by independent documentary verification that the offer substantially conforms to the specified goods or services specification.** If a vendor materially deviates from RFP requirements or specifications, its offer may be determined to be non-responsive by the State.

Offers conditioned upon acceptance of Vendor Errata or Exceptions may be determined to be non-responsive by the State.

6.2.6 ALTERNATE OFFERS

The Vendor may submit alternate offers for various levels of service(s) or products meeting specifications. Alternate offers must specifically identify the RFP specifications and advantage(s) addressed by the alternate offer. Any alternate offers must be clearly marked with the legend as shown herein. Each offer must be for a specific set of Services or products and offer at specific pricing. If a Vendor chooses to respond with various service or product offerings, each must be an offer with a different price and a separate RFP offer. Vendors may also provide multiple offers for software or systems coupled with support and maintenance options, provided, however, all offers must satisfy the specifications.

Alternate offers must be submitted in a separate document and clearly marked "Alternate Offer for 'name of Vendor'" and numbered sequentially with the first offer if separate offers are submitted.

6.2.7 MODIFICATIONS TO OFFER

An offer may not be unilaterally modified by the Vendor.

6.2.8 BASIS FOR REJECTION

Pursuant to 9 NCAC 06B.0401, the State reserves the right to reject any and all offers, in whole or in part; by deeming the offer unsatisfactory as to quality or quantity, delivery, price or service offered; non-compliance with the specifications or intent of this solicitation; lack of competitiveness; error(s) in specifications or indications that revision would be advantageous to the State; cancellation or other changes in the intended project, or other determination that the proposed specification is no longer needed; limitation or lack of available funds; circumstances that prevent determination of the best offer; or any other determination that rejection would be in the best interest of the State.

6.2.9 NON-RESPONSIVE OFFERS

Vendor offers will be deemed non-responsive by the State and will be rejected without further consideration or evaluation if statements such as the following are included:

- "This offer does not constitute a binding offer",
- "This offer will be valid only if this offer is selected as a finalist or in the competitive range",
- "The Vendor does not commit or bind itself to any terms and conditions by this submission",
- "This document and all associated documents are non-binding and shall be used for discussion purposes only",
- "This offer will not be binding on either party until incorporated in a definitive agreement signed by authorized representatives of both parties", or
- A statement of similar intent

6.2.10 VENDOR REGISTRATION WITH THE SECRETARY OF STATE

Vendors do not have to be registered with the NC Secretary of State to submit an offer; however, in order to receive an award/contract with the State, they must be registered. Registration can be completed at the following website: https://www.sosnc.gov/Guides/launching_a_business

6.2.11 VENDOR REGISTRATION AND SOLICITATION NOTIFICATION SYSTEM

The NC electronic Vendor Portal (eVP) allows Vendors to electronically register with the State to receive electronic notification of current procurement opportunities for goods and Services available at the following website: https://evp.nc.gov.

This RFP is available electronically on the electronic Vendor Portal (eVP) at the following website: https://evp.nc.gov.

6.3 INSTRUCTIONS FOR OFFER SUBMISSION

6.3.1 GENERAL INSTRUCTIONS FOR OFFER

Vendors are strongly encouraged to adhere to the following general instructions in order to bring clarity and order to the offer and subsequent evaluation process:

a) Organize the offer in the exact order in which the specifications are presented in the RFP. The Execution page of this RFP must be placed at the front of the Proposal in addition to the remaining pages of the RFP. Each page should be numbered. The offer should contain a table of contents, which cross-references the RFP specification and the specific page of the response in the Vendor's offer.

b) Provide complete and comprehensive responses with a corresponding emphasis on being concise and clear. Elaborate offers in the form of brochures or other presentations beyond that necessary to present a complete and effective offer are not desired.

c) Clearly state your understanding of the problem(s) presented by this RFP including your proposed solution's ability to meet the specifications, including capabilities, features, and limitations, as described herein, and provide a cost offer.

d) Supply all relevant and material information relating to the Vendor's organization, personnel, and experience that substantiates its qualifications and capabilities to perform the Services and/or provide the goods described in this RFP. If relevant and material information is not provided, the offer may be rejected from consideration and evaluation.

e) Furnish all information requested; and if response spaces are provided in this document, the Vendor shall furnish said information in the spaces provided. Further, if required elsewhere in this RFP, each Vendor must submit with its offer sketches, descriptive literature and/or complete specifications covering the products offered. References to literature submitted with a previous offer will not satisfy this provision. Proposals that do not comply with these instructions may be rejected.

f) Any offer that does not adhere to these instructions may be deemed non-responsive and rejected on that basis.

g) **Only information that is received in response to this RFP will be evaluated.** Reference to information previously submitted or Internet Website Addresses (URLs) will not suffice as a response to this solicitation.

6.3.2 OFFER ORGANIZATION

Within each section of its offer, Vendor should address the items in the order in which they appear in this RFP. Forms, attachments or exhibits, if any provided in the RFP, must be completed and included in the appropriate section of the offer. All discussion of offered costs, rates, or expenses must be presented in Section 4.0. Cost of Vendor's Offer.

The offer should be organized and indexed in the following format and should contain, at a minimum, all listed items below.

a) Signed Execution Page AND all pages of this solicitation document in ONE (1) PDF. This includes:
   - Attachments A and B
   - Completed Description of Vendor Submitting Offer Form (Attachment C)
   - Completed Cost Form of Vendor's Offer (Attachment D)
   - Completed and Signed Vendor Certification Form (Attachment E)
   - Completed Location of Workers Utilized by Vendor Form (Attachment F)
   - Completed References (Attachment G)
   - Completed Financial Statements (Attachment H)
   - Specifications (Attachment I - Use Case Scenario Requirements And Specifications)

b) Vendor Response to Specifications in Attachment I - Use Case Scenario Requirements And Specifications

c) Security Vendor Readiness Assessment Report (VRAR) for State Hosted Solutions

d) Architecture Diagrams

e) Detailed Project Timeline

f) Errata and Exceptions, if any

g) Vendor's License and Maintenance Agreements, if any

h) Vendor may attach other supporting materials that it feels may improve the quality of its response. These materials should be included as items in a separate appendix.

6.3.3 ELECTRONIC OFFER SUBMITTAL

Due Date:	January 5, 2027
Time:	2:00 PM Eastern Time

Sealed offers, subject to the conditions made a part hereof, will be received by the time and date specified above and then opened for furnishing and delivering the commodity as described herein. It is the Vendor's sole responsibility to submit its offer by the specified time and date of opening.

The Vendor shall bear the risk for late electronic submission due to unintended or unanticipated delay including, but not limited to, internet issues, network issues, local power outages, or application issues. No offers are able to be uploaded in Ariba after the deadline/bid opening date and time.

a) Submit **one (1) signed, original electronic offer via the Ariba Sourcing Module**. The Vendor to **include the Execution Page 1 WITH the remaining pages of the solicitation in one PDF**. The Execution Page 1 must be signed and dated by an official authorized to bind the Vendor's firm. Failure to return a signed offer shall result in disqualification.

b) File names should identify the Vendor, solicitation, and document in that order (Vendor Name – Solicitation Number – Offer, etc.).

c) Files must not be password protected. They must be in .PDF, .JPEG, .DOC or .XLS format and capable of being copied to other sources. The Vendor's offer may be deemed non-responsive if the Agency is unable to open the file(s).

d) If the offer contains any confidential information (as defined in the NCDIT Terms and Conditions, **"CONFIDENTIALITY"** Section), the Vendor must provide one (1) redacted electronic copy in addition to the original copy.

e) BID OPENING INFORMATION:

Microsoft Teams meeting
Join: https://teams.microsoft.com/meet/2909770192857589?p=cnL6pFKMQt0ucNnXrH

Meeting ID: 290 977 019 285 758 9
Passcode: F9ZJ3MR9

Dial in by phone
+1 984-204-1487,,220295472# United States, Raleigh
Find a local number
Phone conference ID: 220 295 472#

Join on a video conferencing device
Tenant key: ncgov@m.webex.com
Video ID: 117 353 001 2

7.0 OTHER REQUIREMENTS AND SPECIAL TERMS

7.1 VENDOR UTILIZATION OF WORKERS OUTSIDE OF U.S.

In accordance with N.C.G.S. §143B-1361(b), the Vendor must detail the manner in which it intends to utilize resources or workers in the RFP response. The State of North Carolina will evaluate the additional risks, costs, and other factors associated with such utilization prior to making an award for any such Vendor's offer.

Complete ATTACHMENT F - Location of Workers Utilized by Vendor and submit with your offer.

7.2 FINANCIAL STATEMENTS

The Vendor shall (MUST) provide evidence of financial stability by returning with its offer 1) completed Financial Review Form (Attachment I), and 2) copies of Financial Statements as further described hereinbelow. As used herein, Financial Statements shall exclude tax returns and compiled statements.

a) For a publicly traded company, Financial Statements for the past three (3) fiscal years, including at a minimum, income statements, balance sheets, and statement of changes in financial position or cash flows. If three (3) years of financial statements are not available, this information shall be provided to the fullest extent possible, but not less than one year. If less than 3 years, the Vendor must explain the reason why they are not available.

b) For a privately held company, when certified audited financial statements are not prepared: a written statement from the company's certified public accountant stating the financial condition, debt-to-asset ratio for the past three (3) years and any pending actions that may affect the company's financial condition.

c) The State may, in its sole discretion, accept evidence of financial stability other than Financial Statements for the purpose of evaluating Vendors' responses to this RFP. The State reserves the right to determine whether the substitute information meets the requirements for Financial Information sufficiently to allow the State to evaluate the sufficiency of financial resources and the ability of the business to sustain performance of this RFP award. Scope Statements issued may require the submission of Financial Statements and specify the number of years to be provided, the information to be provided, and the most recent date required.

7.3 FINANCIAL RESOURCES ASSESSMENT, QUALITY ASSURANCE, PERFORMANCE AND RELIABILITY

a) Contract Performance Security. The State reserves the right to require performance guaranties pursuant to N.C.G.S. §143B-1340(f) and 09 NCAC 06B.1207 from the Vendor without expense to the State.

b) Project Assurance, Performance and Reliability Evaluation – Pursuant to N.C.G.S. §143B-1340, the State CIO may require quality assurance reviews of Projects as necessary.

7.4 VENDOR'S LICENSE OR SUPPORT AGREEMENTS

Vendor should present its license or support agreements for review and evaluation. Terms offered for licensing and support of Vendors' proprietary assets will be considered.

The terms and conditions of the Vendor's standard services, license, maintenance or other agreement(s) applicable to Services, Software and other Products acquired under this RFP may apply to the extent such terms and conditions do not materially change the terms and conditions of this RFP. In the event of any conflict between the terms and conditions of this RFP and the Vendor's standard agreement(s), the terms and conditions of this RFP relating to audit and records, jurisdiction, choice of law, the State's electronic procurement application of law or administrative rules, the remedy for intellectual property infringement and the exclusive remedies and limitation of liability in the DIT Terms and Conditions herein shall apply in all cases and supersede any provisions contained in the Vendor's

relevant standard agreement or any other agreement. The State shall not be obligated under any standard license and/or maintenance or other Vendor agreement(s) to indemnify or hold harmless the Vendor, its licensors, successors or assigns, nor arbitrate any dispute, nor pay late fees, penalties, legal fees or other similar costs.

7.5 RESELLERS

If the Offer is made by a Reseller that purchased the offered items for resale or license to the Agency, or offered based upon an agreement between the Offeror and a third party, and that the proprietary and intellectual property rights associated with the items are owned by parties other than the Reseller ("Third Parties"). The Agency further acknowledges that except for the payment to the Reseller for the Third Party items, all of its rights and obligations with respect thereto flow from and to the Third Parties. The Reseller shall provide the Agency with copies of all documentation and warranties for the Third Party items which are provided to the Reseller. The Reseller shall assign all applicable third party warranties for Deliverables to the Agency. The State reserves all rights to utilize existing agreements with such Third Parties or to negotiate agreements with such Third Parties as the State deems necessary or proper to achieve the intent of this RFP.

7.6 DISCLOSURE OF LITIGATION

The Vendor's failure to fully and timely comply with the terms of this section, including providing reasonable assurances satisfactory to the State, may constitute a material breach of the Agreement.

a) The Vendor shall notify the State in its offer, if it, or any of its subcontractors, or their officers, directors, or key personnel who may provide Services under any contract awarded pursuant to this solicitation, have ever been convicted of a felony, or any crime involving moral turpitude, including, but not limited to fraud, misappropriation or deception. The Vendor shall promptly notify the State of any criminal litigation, investigations or proceeding involving the Vendor or any subcontractor, or any of the foregoing entities' then current officers or directors during the term of the Agreement or any Scope Statement awarded to the Vendor.

b) The Vendor shall notify the State in its offer, and promptly thereafter as otherwise applicable, of any civil litigation, arbitration, proceeding, or judgments against it or its subcontractors during the three (3) years preceding its offer, or which may occur during the term of any awarded to the Vendor pursuant to this solicitation, that involve (1) Services or related goods similar to those provided pursuant to any contract and that involve a claim that may affect the viability or financial stability of the Vendor, or (2) a claim or written allegation of fraud by the Vendor or any subcontractor hereunder, arising out of their business activities, or (3) a claim or written allegation that the Vendor or any subcontractor hereunder violated any federal, state or local statute, regulation or ordinance. Multiple lawsuits and or judgments against the Vendor or subcontractor shall be disclosed to the State to the extent they affect the financial solvency and integrity of the Vendor or subcontractor.

c) All notices under subsection A and B herein shall be provided in writing to the State within thirty (30) calendar days after the Vendor learns about any such criminal or civil matters; unless such matters are governed by the DIT Terms and Conditions annexed to the solicitation. Details of settlements which are prevented from disclosure by the terms of the settlement shall be annotated as such. Vendor may rely on good faith certifications of its subcontractors addressing the foregoing, which certifications shall be available for inspection at the option of the State.

7.7 CRIMINAL CONVICTION

In the event the Vendor, an officer of the Vendor, or an owner of a 25% or greater share of the Vendor, is convicted of a criminal offense incident to the application for or performance of a State, public or private Contract or subcontract; or convicted of a criminal offense including but not limited to any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State of North Carolina employees; convicted under State or federal antitrust statutes; or convicted of any other

criminal offense which in the sole discretion of the State, reflects upon the Vendor's business integrity and such vendor shall be prohibited from entering into a contract for goods or Services with any department, institution or agency of the State.

7.8 SECURITY AND BACKGROUND CHECKS

The Agency reserves the right to conduct a security background check or otherwise approve any employee or agent provided by the Vendor, and to refuse access to or require replacement of any such personnel for cause, including, but not limited to, technical or training qualifications, quality of work or change in security status or non-compliance with the Agency's security or other similar requirements.

All State and Vendor personnel that have access to data restricted by the State Security Manual and Policies must have a security background check performed. The Vendors are responsible for performing all background checks of their workforce and subcontractors. The State reserves the right to check for non-compliance.

7.9 ASSURANCES

In the event that criminal or civil investigation, litigation, arbitration or other proceedings disclosed to the State pursuant to this Section, or of which the State otherwise becomes aware, during the term of the Agreement, causes the State to be reasonably concerned about:

a) the ability of the Vendor or its subcontractor to continue to perform the Agreement in accordance with its terms and conditions, or

b) whether the Vendor or its subcontractor in performing Services is engaged in conduct which is similar in nature to conduct alleged in such investigation, litigation, arbitration or other proceedings, which conduct would constitute a breach of the Agreement or violation of law, regulation or public policy, then the Vendor shall be required to provide the State all reasonable assurances requested by the State to demonstrate that: the Vendor or its subcontractors hereunder will be able to continue to perform the Agreement in accordance with its terms and conditions, and the Vendor or its subcontractors will not engage in conduct in performing Services under the Agreement which is similar in nature to the conduct alleged in any such litigation, arbitration or other proceedings.

7.10 CONFIDENTIALITY OF OFFERS

All offers and any other RFP responses shall be made public as required by the NC Public Records Act and GS 143B-1350. Vendors may mark portions of offers as confidential or proprietary, after determining that such information is excepted from the NC Public Records Act, provided that such marking is clear and unambiguous and preferably at the top and bottom of each page containing confidential information. Standard restrictive legends appearing on every page of an offer are not sufficient and shall not be binding upon the State.

Certain State information is not public under the NC Public Records Act and other laws. Any such information which the State designates as confidential and makes available to the Vendor in order to respond to the RFP or carry out the Agreement, or which becomes available to the Vendor in carrying out the Agreement, shall be protected by the Vendor from unauthorized use and disclosure. The Vendor shall not be required under the provisions of this section to keep confidential, (1) information generally available to the public, (2) information released by the State generally, or to the Vendor without restriction, (3) information independently developed or acquired by the Vendor or its personnel without reliance in any way on otherwise protected information of the State. Notwithstanding the foregoing restrictions, the Vendor and its personnel may use and disclose any information which it is otherwise required by law to disclose, but in each case only after the State has been so notified, and has had the opportunity, if possible, to obtain reasonable protection for such information in connection with such disclosure.

7.11 PROJECT MANAGEMENT

All project management and coordination on behalf of the Agency shall be through a single point of contact designated as the Agency Project Manager. The Vendor shall designate a Vendor Project Manager who will provide a single point of contact for management and coordination of the Vendor's work. All work performed pursuant to the Agreement shall be coordinated between the Agency Project Manager and the Vendor Project Manager.

7.12 MEETINGS

The Vendor is required to meet with Agency personnel, or designated representatives, to resolve technical or contractual problems that may occur during the term of the Agreement. Meetings will occur as problems arise and will be coordinated by Agency. The Vendor will be given reasonable and sufficient notice of meeting dates, times, and locations. Face to face meetings are desired. However, at the Vendor's option and expense, a conference call meeting may be substituted.

7.13 RECYCLING AND SOURCE REDUCTION - RESERVED

7.14 SPECIAL TERMS AND CONDITIONS

Paragraph #9 in Section 1 of the DIT Terms and Conditions is supplemented as follows: The Agency reserves the right to perform post-delivery and post-training acceptance testing for a period beginning at installation and lasting at a mutually agreeable time period.. The Agency also reserves the right to have an independent Vendor conduct testing pertaining to the functions, auditability, and related matters. At any time before the end of the test and assurance period the Agency may require any or all of the following:

i) Have the Vendor modify the installed software to eliminate the deficiency to the Agency's satisfaction.

ii) Have the Vendor re-install a new copy of the software product(s).

iii) Extend the acceptance testing period for a period of _____ days (mutually agreed upon) to allow time for Vendor to remedy the problems.

iv) Remove the application software, cancel this Agreement, and recover payments extended from Agency funds.

Paragraph #16 in Section 1 of the NCDIT Terms and Conditions is supplemented as follows: the Vendor shall provide a Certificate of Insurance naming the (select one: State or Agency) as an additional insured, with the certificate complying with all required coverages and delivered to the (select one: State or Agency) not later than ten (10) days following the date of the Notice of Award issued pursuant to this RFP. The Vendor must notify the (select one: State or Agency) immediately of any material change in insurance coverage, including, but not limited to changes in limits, coverage, or status of the policy.

7.15 AGENCY TERMS AND CONDITIONS - RESERVED

ATTACHMENT A: DEFINITIONS

1) **24x7:** A statement of availability of systems, communications, and/or supporting resources every hour (24) of each day (7 days weekly) throughout every year for periods specified herein. Where reasonable downtime is accepted, it will be stated herein. Otherwise, 24x7 implies NO loss of availability of systems, communications, and/or supporting resources.

2) **API Call:** API Call means a request sent from application or service to a Large Language Model (LLM) through an Application Programming Interface (API) for the purpose of processing input—such as text, prompts, parameters, or other data---and the corresponding output returned by the model. Each "request-response" pair constitutes one API Call.

3) **Cybersecurity Incident (GS 143B-1320):** An occurrence that:

    a. Actually or imminently jeopardizes, without lawful authority, the integrity, confidentiality, or availability of information or an information system; or

    b. Constitutes a violation or imminent threat of violation of law, security policies, privacy policies, security procedures, or acceptable use policies.

4) **Deliverables**: Deliverables, as used herein, shall comprise all Hardware, Vendor Services, professional Services, Software and provided modifications to any Software, and incidental materials, including any goods, Software or Services access license, data, reports and documentation provided or created during the performance or provision of Services hereunder. Deliverables include "Work Product" and means any expression of Licensor's findings, analyses, conclusions, opinions, recommendations, ideas, techniques, know-how, designs, programs, enhancements, and other technical information; but not source and object code or software.

5) **Frontier Model:** The Frontier Models are large-scale AI systems that sit at or near the technological frontier, demonstrating state-of-the-art performance across a wide range of tasks and enabling capabilities not previously possible. These are general-purpose models that outperform, based on a range of conventional performance benchmarks or high-risk capability assessments, all other models that have been widely deployed in the past 12 months. These models have the following key characteristics:

    a. Cutting-edge capability: They outperform prior models on benchmarks like reasoning, language understanding, coding, math, multimodal tasks, etc.
    b. General-purpose: They aren't built for just one narrow task; they can adapt to many domains with little or no retraining.
    c. Scale and complexity: They usually involve massive datasets, large numbers of parameters, and significant compute during training.
    d. Emergent behaviors: New abilities appear at scale—things like complex reasoning, tool use, or few-shot learning—that weren't explicitly programmed.

6) **Goods**: Includes intangibles such as computer software; provided, however that this definition does not modify the definition of "goods" in the context of N.C.G.S. §25-2-105 (UCC definition of goods).

7) **NCDIT or DIT:** The NC Department of Information Technology.

8) **Open Market Contract:** A contract for the purchase of goods or Services not covered by a term, technical, or convenience contract.

9) **Product:** For purposes of this solicitation and any resulting Agreement, "Product" means any AI model, model component, embedding model, inference endpoint, API, usage-based feature, frontier-model capability, or other functionality identified in the Cost Tables or elsewhere in this solicitation as a priced or separately listed offering. All Products are deemed components of the "Services" as that term is defined the North Carolina DIT Terms and Conditions, and all contractual requirements, including but

not limited to security, compliance, data protections, GovRAMP or FedRAMP authorization, and breach-related obligations, apply to all Products.

10) **Reasonable, Necessary or Proper**: as used herein shall be interpreted solely by the State of North Carolina.

11) **Request for Proposal (RFP):** The RFP is a formal, written solicitation document typically used for seeking competition and obtaining offers for more complex services or a combination of goods and services. The RFP is used when the value is over $10,000. This document contains specifications of the RFP, instructions to bidders and the standard IT Terms and Conditions for Goods and Related Services. User should add Supplemental Terms and Conditions for Software and Services, when applicable.

12) **Security Breach:** As defined in N.C.G.S. §75-61.

13) **Significant Security Incident (GS 143B-1320):** A cybersecurity incident that is likely to result in demonstrable harm to the State's security interests, economy, critical infrastructure, or to the public confidence, civil liberties, or public health and safety of the residents of North Carolina. A significant cybersecurity incident is determined by the following factors:

    a. Incidents that meet thresholds identified by the Department jointly with the Department of Public Safety that involve information:

        i. That is not releasable to the public and that is restricted or highly restricted according to Statewide Data Classification and Handling Policy; or

        ii. That involves the exfiltration, modification, deletion, or unauthorized access, or lack of availability to information or systems within certain parameters to include (i) a specific threshold of number of records or users affected as defined in G.S. 75-65 or (ii) any additional data types with required security controls.

    b. Incidents that involve information that is not recoverable or cannot be recovered within defined time lines required to meet operational commitments defined jointly by the State agency and the Department or can be recovered only through additional measures and has a high or medium functional impact to the mission of an agency.

14) **Vendor:** Company, firm, corporation, partnership, individual, etc., submitting an offer in response to a solicitation.

ATTACHMENT B: NC DEPARTMENT OF INFORMATION TECHNOLOGY TERMS AND CONDITIONS FOR STATE AND VENDOR HOSTED SOLUTIONS INCLUDING AI

Section 1. General Terms and Conditions Applicable to All Purchases

1) **DEFINITIONS:** As used herein;

   Agreement means the contract awarded pursuant to this RFP.

   Deliverable/Product Warranties shall mean and include the warranties provided for products or deliverables licensed to the State unless superseded by a Vendor's Warranties pursuant to Vendor's License or Support Agreements.

   Purchasing State Agency or Agency shall mean the Agency purchasing the goods or Services.

   Services shall mean the duties and tasks undertaken by the Vendor to fulfill the requirements and specifications of this solicitation, including, without limitation, providing web browser access by authorized users to certain Vendor online software applications identified herein, and to related services, such as Vendor hosted Computer storage, databases, Support, documentation, and other functionalities, all as a Vendor Hosted Service solution.

   State shall mean the State of North Carolina, the Department of Information Technology (DIT), or the Purchasing State Agency in its capacity as the Contracting Agency, as appropriate.

2) **STANDARDS:** Any Deliverables shall meet all applicable State and federal requirements, such as State or Federal Regulation, and NC State Chief Information Officer's (CIO) policy or regulation. Vendor will provide and maintain a quality assurance system or program that includes any Deliverables and will tender or provide to the State only those Deliverables that have been inspected and found to conform to the RFP specifications. All Deliverables are subject to operation, certification, testing and inspection, and any accessibility specifications.
3) **WARRANTIES:** Unless otherwise expressly provided, any goods Deliverables provided by the Vendor shall be warranted for a period of 90 days after acceptance.
4) **SUBCONTRACTING:** The Vendor may subcontract the performance of required Services with Resources under the Agreement only with the prior written consent of the State contracting authority. Vendor shall provide the State with complete copies of any agreements made by and between Vendor and all subcontractors. The selected Vendor remains solely responsible for the performance of its subcontractors. Subcontractors, if any, shall adhere to the same standards required of the selected Vendor and the Agreement. Any contracts made by the Vendor with a subcontractor shall include an affirmative statement that the State is an intended third party beneficiary of the Agreement; that the subcontractor has no agreement with the State; and that the State shall be indemnified by the Vendor for any claim presented by the subcontractor. Notwithstanding any other term herein, Vendor shall timely exercise its contractual remedies against any non-performing subcontractor and, when appropriate, substitute another subcontractor.
5) **TRAVEL EXPENSES: All travel expenses should be included in the Vendor's proposed costs. Separately stated travel expenses will not be reimbursed.** In the event that the Vendor, upon specific request in writing by the State, is deemed eligible to be reimbursed for travel expenses arising under the performance of the Agreement, reimbursement will be at the out-of-state rates set forth in N.C.G.S. §138-6; as amended from time to time. Vendor agrees to use the lowest available airfare not requiring a weekend stay and to use the lowest available rate for rental vehicles. All Vendor incurred travel expenses shall be billed on a monthly basis, shall be supported by receipt and shall be paid by the State within thirty (30) days after invoice approval. Travel expenses exceeding the foregoing rates shall not be paid by the State. The State will reimburse travel allowances only for days on which the Vendor is required to be in North Carolina performing Services under the Agreement.
6) **GOVERNMENTAL RESTRICTIONS:** In the event any restrictions are imposed by governmental requirements that necessitate alteration of the material, quality, workmanship, or performance of the Deliverables offered prior to delivery thereof, the Vendor shall provide written notification of the

necessary alteration(s) to the Agency Contract Administrator. The State reserves the right to accept any such alterations, including any price adjustments occasioned thereby, or to cancel the Agreement. The State may advise Vendor of any restrictions or changes in specifications required by North Carolina legislation, rule or regulatory authority that require compliance by the State. In such event, Vendor shall use its best efforts to comply with the required restrictions or changes. If compliance cannot be achieved by the date specified by the State, the State may terminate the Agreement and compensate Vendor for sums then due under the Agreement.

7) **PROHIBITION AGAINST CONTINGENT FEES AND GRATUITIES:** Vendor warrants that it has not paid, and agrees not to pay, any bonus, commission, fee, or gratuity to any employee or official of the State for the purpose of obtaining any Contract or award issued by the State. Vendor further warrants that no commission or other payment has been or will be received from or paid to any third party contingent on the award of any Contract by the State, except as shall have been expressly communicated to the State Purchasing Agent in writing prior to acceptance of the Agreement or award in question. Each individual signing below warrants that he or she is duly authorized by their respective Party to sign the Agreement and bind the Party to the terms and conditions of this RFP. Vendor and their authorized signatory further warrant that no officer or employee of the State has any direct or indirect financial or personal beneficial interest, in the subject matter of the Agreement; obligation or Contract for future award of compensation as an inducement or consideration for making the Agreement. Subsequent discovery by the State of non-compliance with these provisions shall constitute sufficient cause for immediate termination of all outstanding contracts. Violations of this provision may result in debarment of the Vendor(s) as permitted by 9 NCAC 06B..1206, or other provision of law.

8) **AVAILABILITY OF FUNDS:** Any and all payments to Vendor are expressly contingent upon and subject to the appropriation, allocation and availability of funds to the Agency for the purposes set forth in the Agreement. If the Agreement or any Purchase Order issued hereunder is funded in whole or in part by federal funds, the Agency's performance and payment shall be subject to and contingent upon the continuing availability of said federal funds for the purposes of the Agreement or Purchase Order. If the term of the Agreement extends into fiscal years subsequent to that in which it is approved, such continuation of the Agreement is expressly contingent upon the appropriation, allocation and availability of funds by the N.C. Legislature for the purposes set forth in this RFP. If funds to effect payment are not available, the Agency will provide written notification to Vendor. If the Agreement is terminated under this paragraph, Vendor agrees to take back any affected Deliverables and software not yet delivered under the Agreement, terminate any Services supplied to the Agency under the Agreement, and relieve the Agency of any further obligation thereof. The State shall remit payment for Deliverables and Services accepted prior to the date of the aforesaid notice in conformance with the payment terms.

9) **ACCEPTANCE PROCESS:**

a) The State shall have the obligation to notify Vendor, in writing ten calendar days following provision, performance (under a provided milestone or otherwise as agreed) or delivery of any Services or other Deliverables described in the Agreement that are not acceptable.

b) Acceptance testing is required for all Vendor supplied software and software or platform services unless provided otherwise in the solicitation documents or a Statement of Work. The State may define such processes and procedures as may be necessary or proper, in its opinion and discretion, to ensure compliance with the State's specifications, and Vendor's Product Warranties and technical representations. The State shall have the obligation to notify Vendor, in writing and within thirty (30) days following installation of any software deliverable if it is not acceptable.

c) Acceptance of Services or other Deliverables including software or platform services may be controlled by an amendment hereto, or additional terms as agreed by the Parties consistent with IT Project management under GS §143B-1340.

d) The notice of non-acceptance shall specify in reasonable detail the reason(s) a Service or given Deliverable is unacceptable. Acceptance by the State shall not be unreasonably withheld; but may

be conditioned or delayed as required for installation and/or testing of Deliverables. Final acceptance is expressly conditioned upon completion of any applicable inspection and testing procedures. Should a Service or Deliverable fail to meet any specifications or acceptance criteria, the State may exercise any and all rights hereunder. Services or Deliverables discovered to be defective or failing to conform to the specifications may be rejected upon initial inspection or at any later time if the defects or errors contained in the Services or Deliverables or non-compliance with the specifications were not reasonably ascertainable upon initial inspection. If the Vendor fails to promptly cure or correct the defect or replace or re-perform the Services or Deliverables, the State reserves the right to cancel the Purchase Order, contract with a different Vendor, and to invoice the original Vendor for any differential in price over the original Contract price.

10) **PAYMENT TERMS:** Monthly Payment terms are Net 30 days after receipt of correct invoice (with completed timesheets for Vendor personnel) and acceptance of one or more of the Deliverables, under milestones or otherwise as may be provided in Paragraph 9 (Acceptance), or elsewhere in this solicitation, unless a period of more than thirty (30) days is required by the Agency. The Purchasing State Agency is responsible for all payments under the Agreement. No additional charges to the Agency will be permitted based upon, or arising from, the Agency's use of a Business Procurement Card. The State may exercise any and all rights of Set Off as permitted in Chapter 105A-1 *et. seq*. of the N.C. General Statutes and applicable Administrative Rules. Upon Vendor's written request of not less than thirty (30) days and approval by the State or Agency, the Agency may:
    a) Forward the Vendor's payment check(s) directly to any person or entity designated by the Vendor, or
    b) Include any person or entity designated in writing by Vendor as a joint payee on the Vendor's payment check(s), however
    c) In no event shall such approval and action obligate the State to anyone other than the Vendor and the Vendor shall remain responsible for fulfillment of all Contract obligations.
11) **EQUAL EMPLOYMENT OPPORTUNITY:** Vendor shall comply with all Federal and State requirements concerning fair employment and employment of the disabled, and concerning the treatment of all employees without regard to discrimination by reason of race, color, religion, sex, national origin or physical disability.
12) **ADVERTISING/PRESS RELEASE:** The Vendor absolutely shall not publicly disseminate any information concerning the Agreement without prior written approval from the State or its Agent. For the purpose of this provision of the Agreement, the Agent is the Purchasing Agency Contract Administrator unless otherwise named in the solicitation documents.
13) **LATE DELIVERY:** Vendor shall advise the Agency contact person or office immediately upon determining that any Deliverable will not, or may not, be delivered or performed at the time or place specified. Together with such notice, Vendor shall state the projected delivery time and date. In the event the delay projected by Vendor is unsatisfactory, the Agency shall so advise Vendor and may proceed to procure the particular substitute Services or other Deliverables.
14) **ACCESS TO PERSONS AND RECORDS:** Pursuant to N.C.G.S. §147-64.7, the Agency, the State Auditor, appropriate federal officials, and their respective authorized employees or agents are authorized to examine all books, records, and accounts of the Vendor insofar as they relate to transactions with any department, board, officer, commission, institution, or other agency of the State of North Carolina pursuant to the performance of the Agreement or to costs charged to the Agreement. The Vendor shall retain any such books, records, and accounts for a minimum of three (3) years after the completion of the Agreement. Additional audit or reporting requirements may be required by any Agency, if in the Agency's opinion, such requirement is imposed by federal or state law or regulation.
15) **ASSIGNMENT:** Vendor may not assign the Agreement or its obligations hereunder except as permitted by 09 NCAC 06B.1003 and this Paragraph. Vendor shall provide reasonable notice of not less than thirty (30) days prior to any consolidation, acquisition, or merger. Any assignee shall affirm the Agreement attorning and agreeing to the terms and conditions agreed, and that Vendor shall affirm that the assignee is fully capable of performing all obligations of Vendor under the Agreement. An

assignment may be made, if at all, in writing by the Vendor, Assignee and the State setting forth the foregoing obligation of Vendor and Assignee.

16) **INSURANCE COVERAGE:** During the term of the Agreement, the Vendor at its sole cost and expense shall provide commercial insurance of such type and with such terms and limits as may be reasonably associated with the Agreement. As a minimum, the Vendor shall provide and maintain the following coverage and limits:
    a) **Worker's Compensation** - The Vendor shall provide and maintain Worker's Compensation Insurance, as required by the laws of North Carolina, as well as employer's liability coverage with minimum limits of $100,000.00, covering all of Vendor's employees who are engaged in any work under the Agreement. If any work is sublet, the Vendor shall require the subcontractor to provide the same coverage for any of his employees engaged in any work under the Agreement; and
    b) **Commercial General Liability** - General Liability Coverage on a Comprehensive Broad Form on an occurrence basis in the minimum amount of $2,000,000.00 Combined Single Limit (Defense cost shall be in excess of the limit of liability); and
    c) **Automobile** - Automobile Liability Insurance, to include liability coverage, covering all owned, hired and non-owned vehicles, used in connection with the Agreement. The minimum combined single limit shall be $500,000.00 bodily injury and property damage; $500,000.00 uninsured/under insured motorist; and $5,000.00 medical payment; and
    d) Providing and maintaining adequate insurance coverage described herein is a material obligation of the Vendor and is of the essence of the Agreement. All such insurance shall meet all laws of the State of North Carolina. Such insurance coverage shall be obtained from companies that are authorized to provide such coverage and that are authorized by the Commissioner of Insurance to do business in North Carolina. The Vendor shall at all times comply with the terms of such insurance policies, and all requirements of the insurer under any such insurance policies, except as they may conflict with existing North Carolina laws or the Agreement. The limits of coverage under each insurance policy maintained by the Vendor shall not be interpreted as limiting the Vendor's liability and obligations under the Agreement.

17) **DISPUTE RESOLUTION:** The parties agree that it is in their mutual interest to resolve disputes informally. A claim by the Vendor shall be submitted in writing to the Agency Contract Administrator for decision. A claim by the State shall be submitted in writing to the Vendor's Contract Administrator for decision. The Parties shall negotiate in good faith and use all reasonable efforts to resolve such dispute(s). During the time the Parties are attempting to resolve any dispute, each shall proceed diligently to perform their respective duties and responsibilities under the Agreement. If a dispute cannot be resolved between the Parties within thirty (30) days after delivery of notice, either Party may elect to exercise any other remedies available under the Agreement, or at law. This term shall not constitute an agreement by either party to mediate or arbitrate any dispute.

18) **CONFIDENTIALITY:** In accordance with N.C.G.S. §143B-1350(e) and 143B-1375, and 09 NCAC 06B.0103 and 06B.1001, the State may maintain the confidentiality of certain types of information described in N.C.G.S. §132-1 *et seq*. Such information may include trade secrets defined by N.C.G.S. §66-152 and other information exempted from the Public Records Act pursuant to N.C.G.S. §132-1.2. Vendor may designate appropriate portions of its response as confidential, consistent with and to the extent permitted under the Statutes and Rules set forth above, by marking the top and bottom of pages containing confidential information with a legend in boldface type "**CONFIDENTIAL**". By so marking any page, the Vendor warrants that it has formed a good faith opinion, having received such necessary or proper review by counsel and other knowledgeable advisors that the portions marked confidential meet the requirements of the Rules and Statutes set forth above. ***However, under no circumstances shall price information be designated as confidential.*** The State may serve as custodian of Vendor's confidential information and not as an arbiter of claims against Vendor's assertion of confidentiality. If an action is brought pursuant to N.C.G.S. §132-9 to compel the State to disclose information marked confidential, the Vendor agrees that it will intervene in the action through its counsel and participate in defending the State, including any public official(s) or public employee(s). The Vendor agrees that it shall hold the State and any official(s) and individual(s) harmless from any and all

damages, costs, and attorneys' fees awarded against the State in the action. The State agrees to promptly notify the Vendor in writing of any action seeking to compel the disclosure of Vendor's confidential information. The State shall have the right, at its option and expense, to participate in the defense of the action through its counsel. The State shall have no liability to Vendor with respect to the disclosure of Vendor's confidential information ordered by a court of competent jurisdiction pursuant to N.C.G.S. §132-9 or other applicable law.

a) Care of Information: Vendor agrees to use commercial best efforts to safeguard and protect any data, documents, files, and other materials received from the State or the Agency during performance of any contractual obligation from loss, destruction or erasure. Vendor agrees to abide by all facilities and security requirements and policies of the agency where work is to be performed. Any Vendor personnel shall abide by such facilities and security requirements and shall agree to be bound by the terms and conditions of the Agreement.
b) Vendor warrants that all its employees and any approved third party Vendors or subcontractors are subject to a non-disclosure and confidentiality agreement enforceable in North Carolina. Vendor will, upon request of the State, verify and produce true copies of any such agreements. Production of such agreements by Vendor may be made subject to applicable confidentiality, non-disclosure or privacy laws; provided that Vendor produces satisfactory evidence supporting exclusion of such agreements from disclosure under the N.C. Public Records laws in N.C.G.S. §132-1 *et seq*. The State may, in its sole discretion, provide a non-disclosure and confidentiality agreement satisfactory to the State for Vendor's execution. The State may exercise its rights under this subparagraph as necessary or proper, in its discretion, to comply with applicable security regulations or statutes including, but not limited to 26 USC 6103 and IRS Publication 1075, (Tax Information Security Guidelines for Federal, State, and Local Agencies), HIPAA, 42 USC 1320(d) (Health Insurance Portability and Accountability Act), any implementing regulations in the Code of Federal Regulations, and any future regulations imposed upon the Department of Information Technology or the N.C. Department of Revenue pursuant to future statutory or regulatory requirements.
c) Nondisclosure: Vendor agrees and specifically warrants that it, its officers, directors, principals and employees, and any subcontractors, shall hold all information received during performance of the Agreement in the strictest confidence and shall not disclose the same to any third party without the express written approval of the State.
d) The Vendor shall protect the confidentiality of all information, data, instruments, studies, reports, records and other materials provided to it by the Agency or maintained or created in accordance with this Agreement. No such information, data, instruments, studies, reports, records and other materials in the possession of Vendor shall be disclosed in any form without the prior written consent of the State Agency. The Vendor will have written policies governing access to and duplication and dissemination of all such information, data, instruments, studies, reports, records and other materials.
e) All project materials, including software, data, and documentation created during the performance or provision of Services hereunder that are not licensed to the State or are not proprietary to the Vendor are the property of the State of North Carolina and must be kept confidential or returned to the State, or destroyed. Proprietary Vendor materials shall be identified to the State by Vendor prior to use or provision of Services hereunder and shall remain the property of the Vendor. Derivative works of any Vendor proprietary materials prepared or created during the performance of provision of Services hereunder shall be subject to a perpetual, royalty free, nonexclusive license to the State.

19) <u>DEFAULT</u>: In the event Services or other Deliverable furnished or performed by the Vendor during performance of any Contract term fail to conform to any material requirement(s) of the Contract specifications, notice of the failure is provided by the State and if the failure is not cured within ten (10) days, or Vendor fails to meet the requirements of Paragraph 9) herein, the State may cancel the contract. Default may be cause for debarment as provided in 09 NCAC 06B.1206. The rights and remedies of the State provided above shall not be exclusive and are in addition to any other rights and remedies provided by law or under the Contract.

a) If Vendor fails to deliver or provide correct Services or other Deliverables within the time required by the Agreement, the State shall provide written notice of said failure to Vendor, and by such notice require performance assurance measures pursuant to N.C.G.S. 143B-1340(f). Vendor is responsible for the delays resulting from its failure to deliver or provide services or other Deliverables.
b) Should the State fail to perform any of its obligations upon which Vendor's performance is conditioned, Vendor shall not be in default for any delay, cost increase or other consequences resulting from the State's failure. Vendor will use reasonable efforts to mitigate delays, costs or expenses arising from assumptions in the Vendor's offer documents that prove erroneous or are otherwise invalid. Any deadline that is affected by any such failure in assumptions or performance by the State shall be extended by an amount of time reasonably necessary to compensate for the effect of such failure.
c) Vendor shall provide a plan to cure any delay or default if requested by the State. The plan shall state the nature of the delay or default, the time required for cure, any mitigating factors causing or tending to cause the delay or default, and such other information as the Vendor may deem necessary or proper to provide.
d) If the prescribed acceptance testing stated in the Solicitation Documents or performed pursuant to Paragraph 9) of the DIT Terms and Conditions is not completed successfully, the State may request substitute Software, cancel the portion of the Contract that relates to the unaccepted Software, or continue the acceptance testing with or without the assistance of Vendor. These options shall remain in effect until such time as the testing is successful or the expiration of any time specified for completion of the testing. If the testing is not completed after exercise of any of the State's options, the State may cancel any portion of the contract related to the failed Software and take action to procure substitute software. If the failed software (or the substituted software) is an integral and critical part of the proper completion of the work for which the Deliverables identified in the solicitation documents or statement of work were acquired, the State may terminate the entire contract.

20) WAIVER OF DEFAULT: Waiver by either party of any default or breach by the other Party shall not be deemed a waiver of any subsequent default or breach and shall not be construed to be a modification or novation of the terms of the Agreement, unless so stated in writing and signed by authorized representatives of the Agency and the Vendor, and made as an amendment to the Agreement pursuant to Paragraph 30) herein below.

21) TERMINATION: Any notice or termination made under the Agreement shall be transmitted via US Mail, Certified Return Receipt Requested. The period of notice for termination shall begin on the day the return receipt is signed and dated.

a) The parties may mutually terminate the Agreement by written agreement at any time.
b) The State may terminate the Agreement, in whole or in part, pursuant to Paragraph 19), or pursuant to the Special Terms and Conditions in the Solicitation Documents, if any, or for any of the following:
    i) Termination for Cause: In the event any goods, software, or service furnished by the Vendor during performance of any Contract term fails to conform to any material requirement of the Contract, and the failure is not cured within the specified time after providing written notice thereof to Vendor, the State may cancel and procure the articles or Services from other sources; holding Vendor liable for any excess costs occasioned thereby, subject only to the limitations provided in Paragraphs 22) and 23) herein. The rights and remedies of the State provided above shall not be exclusive and are in addition to any other rights and remedies provided by law or under the Contract. Vendor shall not be relieved of liability to the State for damages sustained by the State arising from Vendor's breach of the Agreement; and the State may, in its discretion, withhold any payment due as a setoff until such time as the damages are finally determined or as agreed by the parties. Voluntary or involuntary Bankruptcy or receivership by Vendor shall be cause for termination.

ii) Termination For Convenience Without Cause: The State may terminate service and indefinite quantity contracts, in whole or in part by giving thirty (30) days prior notice in writing to the Vendor. Vendor shall be entitled to sums due as compensation for Deliverables provided and Services performed in conformance with the Contract. In the event the Contract is terminated for the convenience of the State the Agency will pay for all work performed and products delivered in conformance with the Contract up to the date of termination.

iii) Consistent failure to participate in problem resolution meetings, two (2) consecutive missed or rescheduled meetings, or failure to make a good faith effort to resolve problems, may result in termination of the Agreement.

22) LIMITATION OF VENDOR'S LIABILITY:

a) Where Deliverables are under the State's exclusive management and control, the Vendor shall not be liable for direct damages caused by the State's failure to fulfill any State responsibilities of assuring the proper use, management and supervision of the Deliverables and programs, audit controls, operating methods, office procedures, or for establishing all proper checkpoints necessary for the State's intended use of the Deliverables. Vendor shall not be responsible for any damages that arise from (i) misuse or modification of Vendor's Software by or on behalf of the State, (ii) the State's failure to use corrections or enhancements made available by Vendor, (iii) the quality or integrity of data from other automated or manual systems with which the Vendor's Software interfaces, (iv) errors in or changes to third party software or hardware implemented by the State or a third party (including the vendors of such software or hardware) that is not a subcontractor of Vendor or that is not supported by the Deliverables, or (vi) the operation or use of the Vendor's Software not in accordance with the operating procedures developed for the Vendor's Software or otherwise in a manner not contemplated by this Agreement.

b) The Vendor's liability for damages to the State arising under the contract shall be limited to two times the value of the Contract.

c) The foregoing limitation of liability shall not apply to claims covered by other specific provisions including but not limited to Service Level Agreement or Deliverable/Product Warranties pursuant to Section II, 2) of these Terms and Conditions, or to claims for injury to persons or damage to tangible personal property, gross negligence or willful or wanton conduct. This limitation of liability does not apply to contributions among joint tortfeasors under N.C.G.S. 1B-1 *et seq.*, the receipt of court costs or attorney's fees that might be awarded by a court in addition to damages after litigation based on the Agreement. For avoidance of doubt, the Parties agree that the Service Level Agreement and Deliverable/Product Warranty Terms in the Contract are intended to provide the sole and exclusive remedies available to the State under the Contract for the Vendor's failure to comply with the requirements stated therein.

23) VENDOR'S LIABILITY FOR INJURY TO PERSONS OR DAMAGE TO PROPERTY:

a) The Vendor shall be liable for damages arising out of personal injuries and/or damage to real or tangible personal property of the State, employees of the State, persons designated by the State for training, or person(s) other than agents or employees of the Vendor, designated by the State for any purpose, prior to, during, or subsequent to delivery, installation, acceptance, and use of the Deliverables either at the Vendor's site or at the State's place of business, provided that the injury or damage was caused by the fault or negligence of the Vendor.

b) The Vendor agrees to indemnify, defend and hold the Agency and the State and its Officers, employees, agents and assigns harmless from any liability relating to personal injury or injury to real or personal property of any kind, accruing or resulting to any other person, firm or corporation furnishing or supplying work, Services, materials or supplies in connection with the performance of the Agreement, whether tangible or intangible, arising out of the ordinary negligence, wilful or wanton negligence, or intentional acts of the Vendor, its officers, employees, agents, assigns or subcontractors.

c) Vendor shall not be liable for damages arising out of or caused by an alteration or an attachment not made or installed by the Vendor.

24) TIME IS OF THE ESSENCE: Time is of the essence in the performance of the Agreement.

25) **DATE AND TIME WARRANTY:** The Vendor warrants that any Deliverable, whether Services, hardware, firmware, middleware, custom or commercial software, or internal components, subroutines, and interface therein which performs, modifies or affects any date and/or time data recognition function, calculation, or sequencing, will still enable the modified function to perform accurate date/time data and leap year calculations. This warranty shall survive termination or expiration of the Contract.

26) **INDEPENDENT CONTRACTORS:** Vendor and its employees, officers and executives, and subcontractors, if any, shall be independent Vendors and not employees or agents of the State. The Agreement shall not operate as a joint venture, partnership, trust, agency or any other similar business relationship.

27) **TRANSPORTATION:** Transportation of any tangible Deliverables shall be FOB Destination; unless otherwise specified in the solicitation document or purchase order. Freight, handling, hazardous material charges, and distribution and installation charges shall be included in the total price of each item. Any additional charges shall not be honored for payment unless authorized in writing by the Purchasing State Agency. In cases where parties, other than the Vendor ship materials against this order, the shipper must be instructed to show the purchase order number on all packages and shipping manifests to ensure proper identification and payment of invoices. A complete packing list must accompany each shipment.

28) **NOTICES:** Any notices required under the Agreement should be delivered to the Contract Administrator for each party. Unless otherwise specified in the Solicitation Documents, any notices shall be delivered in writing by U.S. Mail, Commercial Courier or by hand.

29) **TITLES AND HEADINGS:** Titles and Headings in the Agreement are used for convenience only and do not define, limit or proscribe the language of terms identified by such Titles and Headings.

30) **AMENDMENT:** The Agreement may not be amended orally or by performance. Any amendment must be made in written form and signed by duly authorized representatives of the State and Vendor in conformance with Paragraph 36) herein.

31) **TAXES:** The State of North Carolina is exempt from Federal excise taxes and no payment will be made for any personal property taxes levied on the Vendor or for any taxes levied on employee wages. Agencies of the State may have additional exemptions or exclusions for federal or state taxes. Evidence of such additional exemptions or exclusions may be provided to Vendor by Agencies, as applicable, during the term of the Agreement. Applicable State or local sales taxes shall be invoiced as a separate item.

32) **GOVERNING LAWS, JURISDICTION, AND VENUE:**

a) The Agreement is made under and shall be governed and construed in accordance with the laws of the State of North Carolina and applicable Administrative Rules. The place of the Agreement or purchase order, its situs and forum, shall be Wake County, North Carolina, where all matters, whether sounding in Contract or in tort, relating to its validity, construction, interpretation and enforcement shall be determined. Vendor agrees and submits, solely for matters relating to the Agreement, to the jurisdiction of the courts of the State of North Carolina, and stipulates that Wake County shall be the proper venue for all matters.

b) Except to the extent the provisions of the Contract are clearly inconsistent therewith, the applicable provisions of the Uniform Commercial Code as modified and adopted in North Carolina shall govern the Agreement. To the extent the Contract entails both the supply of "goods" and "Services," such shall be deemed "goods" within the meaning of the Uniform Commercial Code, except when deeming such Services as "goods" would result in a clearly unreasonable interpretation.

33) **FORCE MAJEURE:** Neither party shall be deemed to be in default of its obligations hereunder if and so long as it is prevented from performing such obligations as a result of events beyond its reasonable control, including without limitation, fire, power failures, any act of war, hostile foreign action, nuclear explosion, riot, strikes or failures or refusals to perform under subcontracts, civil insurrection, earthquake, hurricane, tornado, or other catastrophic natural event or act of God.

34) **COMPLIANCE WITH LAWS:** The Vendor shall comply with all laws, ordinances, codes, rules, regulations, and licensing requirements that are applicable to the conduct of its business, including those of federal, state, and local agencies having jurisdiction and/or authority.

35) **SEVERABILITY:** In the event that a court of competent jurisdiction holds that a provision or requirement of the Agreement violates any applicable law, each such provision or requirement shall be enforced only to the extent it is not in violation of law or is not otherwise unenforceable and all other provisions and requirements of the Agreement shall remain in full force and effect. All promises, requirement, terms, conditions, provisions, representations, guarantees and warranties contained herein shall survive the expiration or termination date unless specifically provided otherwise herein, or unless superseded by applicable federal or State statute, including statutes of repose or limitation.

36) **CHANGES:** The Agreement and subsequent purchase order(s) is awarded subject to the provision of the specified Services and the shipment or provision of other Deliverables as specified herein. Any changes made to the Agreement or purchase order proposed by the Vendor are hereby rejected unless accepted in writing by the Agency or State Award Authority. The State shall not be responsible for Services or other Deliverables delivered without a purchase order from the Agency or State Award Authority.

37) **FEDERAL INTELLECTUAL PROPERTY BANKRUPTCY PROTECTION ACT:** The Parties agree that the Agency shall be entitled to all rights and benefits of the Federal Intellectual Property Bankruptcy Protection Act, Public Law 100-506, codified at 11 U.S.C. 365(n), and any amendments thereto.

38) **ELECTRONIC PROCUREMENT (Applies to all contracts that include E-Procurement and are identified as such in the body of the solicitation document):** Purchasing shall be conducted through the Statewide E-Procurement Services. The State's third party agent shall serve as the Supplier Manager for this E-Procurement Services. The Vendor shall register for the Statewide E-Procurement Services within two (2) business days of notification of award in order to receive an electronic purchase order resulting from award of the Agreement.

a) **The successful Vendor(s) shall pay a transaction fee of 1.75% (.0175) on the total dollar amount of GOODS only (excluding sales taxes) of each purchase order issued through the Statewide E-Procurement Service**. This applies to all purchase orders, regardless of the quantity or dollar amount of the purchase order. The transaction fee shall neither be charged to nor paid by the State, or by any State approved users of the contract. The transaction fee shall not be stated or included as a separate item in the proposed contract or invoice. There are no additional fees or charges to the Vendor for the Services rendered by the Supplier Manager under the Agreement. Vendor will receive a credit for transaction fees they paid for the purchase of any item(s) if an item(s) is returned through no fault of the Vendor. Transaction fees are non-refundable when an item is rejected and returned, or declined, due to the Vendor's failure to perform or comply with specifications or requirements of the contract.

b) Vendor, or its authorized Reseller, as applicable, will be invoiced monthly for the State's transaction fee by the Supplier Manager. The transaction fee shall be based on purchase orders issued for the prior month. Unless Supplier Manager receives written notice from the Vendor identifying with specificity any errors in an invoice within thirty (30) days of the receipt of invoice, such invoice shall be deemed to be correct and Vendor shall have waived its right to later dispute the accuracy and completeness of the invoice. Payment of the transaction fee by the Vendor is due to the account designated by the State within thirty (30) days after receipt of the correct invoice for the transaction fee, which includes payment of all portions of an invoice not in dispute. Within thirty (30) days of the receipt of invoice, Vendor may request in writing an extension of the invoice payment due date for that portion of the transaction fee invoice for which payment of the related goods by the governmental purchasing entity has not been received by the Vendor. If payment of the transaction fee invoice is not received by the State within this payment period, it shall be considered a material breach of contract. The Supplier Manager shall provide, whenever reasonably requested by the Vendor in writing (including electronic documents), supporting documentation from the E-Procurement Service that accounts for the amount of the invoice.

c) The Supplier Manager will capture the order from the State approved user, including the shipping and payment information, and submit the order in accordance with the E-Procurement Services. Subsequently, the Supplier Manager will send those orders to the appropriate Vendor on State Contract. The State or State approved user, not the Supplier Manager, shall be responsible for the

solicitation, offers received, evaluation of offers received, award of Contract, and the payment for goods delivered.

d) Vendor agrees at all times to maintain the confidentiality of its user name and password for the Statewide E-Procurement Services. If a Vendor is a corporation, partnership or other legal entity, then the Vendor may authorize its employees to use its password. Vendor shall be responsible for all activity and all charges for such employees. Vendor agrees not to permit a third party to use the Statewide E-Procurement Services through its account. If there is a breach of security through the Vendor's account, Vendor shall immediately change its password and notify the Supplier Manager of the security breach by e-mail. Vendor shall cooperate with the state and the Supplier Manager to mitigate and correct any security breach.

39) PATENT, COPYRIGHT, AND TRADE SECRET PROTECTION:

a) Vendor has created, acquired or otherwise has rights in, and may, in connection with the performance of Services for the State, employ, provide, create, acquire or otherwise obtain rights in various concepts, ideas, methods, methodologies, procedures, processes, know-how, techniques, models, templates and general purpose consulting and software tools, utilities and routines (collectively, the "Vendor technology"). To the extent that any Vendor technology is contained in any of the Services or Deliverables including any derivative works, the Vendor hereby grants the State a royalty-free, fully paid, worldwide, perpetual, non-exclusive license to use such Vendor technology in connection with the Services or Deliverables for the State's purposes.

b) Vendor shall not acquire any right, title and interest in and to the copyrights for goods, any and all software, technical information, specifications, drawings, records, documentation, data or derivative works thereof, or other work products provided by the State to Vendor. The State hereby grants Vendor a royalty-free, fully paid, worldwide, perpetual, non-exclusive license for Vendor's internal use to non-confidential deliverables first originated and prepared by the Vendor for delivery to the State.

c) The Vendor, at its own expense, shall defend any action brought against the State to the extent that such action is based upon a claim that the Services or other Deliverables supplied by the Vendor, or the operation of such pursuant to a current version of vendor-supplied software, infringes a patent, or copyright or violates a trade secret in the United States. The Vendor shall pay those costs and damages finally awarded against the State in any such action; damages shall be limited as provided in N.C.G.S. 143B-1350(h1). Such defense and payment shall be conditioned on the following:
   i. That the Vendor shall be notified within a reasonable time in writing by the State of any such claim; and,
   ii. That the Vendor shall have the sole control of the defense of any action on such claim and all negotiations for its settlement or compromise, provided, however, that the State shall have the option to participate in such action at its own expense.

d) Should any Services or other Deliverables supplied by Vendor, or the operation thereof become, or in the Vendor's opinion are likely to become, the subject of a claim of infringement of a patent, copyright, or a trade secret in the United States, the State shall permit the Vendor, at its option and expense, either to procure for the State the right to continue using the Services or Deliverables, or to replace or modify the same to become noninfringing and continue to meet procurement specifications in all material respects. If neither of these options can reasonably be taken, or if the use of such Services or Deliverables by the State shall be prevented by injunction, the Vendor agrees to take back any goods/hardware or software, and refund any sums the State has paid Vendor less any reasonable amount for use or damage and make every reasonable effort to assist the state in procuring substitute Services or Deliverables. If, in the sole opinion of the State, the return of such infringing Services or Deliverables makes the retention of other Services or Deliverables acquired from the Vendor under the agreement impractical, the State shall then have the option of terminating the contract, or applicable portions thereof, without penalty or termination charge. The Vendor agrees to take back Services or Deliverables and refund any sums the State has paid Vendor less any reasonable amount for use or damage.

e) Vendor will not be required to defend or indemnify the State if any claim by a third party against the State for infringement or misappropriation (i) results from the State's alteration of any Vendor-branded Service or Deliverable, or (ii) results from the continued use of the good(s) or services and other Services or Deliverables after receiving notice they infringe a trade secret of a third party.

f) Nothing stated herein, however, shall affect Vendor's ownership in or rights to its preexisting intellectual property and proprietary rights.

40) UNANTICIPATED TASKS In the event that additional work must be performed that was wholly unanticipated, and that is not specified in the Agreement, but which in the opinion of both parties is necessary to the successful accomplishment of the contracted scope of work, the procedures outlined in this article will be followed. For each item of unanticipated work, the Vendor shall prepare a work authorization in accordance with the State's practices and procedures.

a) It is understood and agreed by both parties that all of the terms and conditions of the Agreement shall remain in force with the inclusion of any work authorization. A work authorization shall not constitute a contract separate from the Agreement, nor in any manner amend or supersede any of the other terms or provisions of the Agreement or any amendment hereto.

b) Each work authorization shall comprise a detailed statement of the purpose, objective, or goals to be undertaken by the Vendor, the job classification or approximate skill level or sets of the personnel required, an identification of all significant material then known to be developed by the Vendor's personnel as a Deliverable, an identification of all significant materials to be delivered by the State to the Vendor's personnel, an estimated time schedule for the provision of the Services by the Vendor, completion criteria for the work to be performed, the name or identification of Vendor's personnel to be assigned, the Vendor's estimated work hours required to accomplish the purpose, objective or goals, the Vendor's billing rates and units billed, and the Vendor's total estimated cost of the work authorization.

c) All work authorizations must be submitted for review and approval by the procurement office that approved the original Contract and procurement. This submission and approval must be completed prior to execution of any work authorization documentation or performance thereunder. All work authorizations must be written and signed by the Vendor and the State prior to beginning work.

d) The State has the right to require the Vendor to stop or suspend performance under the "Stop Work" provision of the North Carolina Department of Information Technology Terms and Conditions.

e) The Vendor shall not expend Personnel resources at any cost to the State in excess of the estimated work hours unless this procedure is followed: If, during performance of the work, the Vendor determines that a work authorization to be performed under the Agreement cannot be accomplished within the estimated work hours, the Vendor will be required to complete the work authorization in full. Upon receipt of such notification, the State may:

   a. Authorize the Vendor to expend the estimated additional work hours or service in excess of the original estimate necessary to accomplish the work authorization, or

   b. Terminate the work authorization, or

   c. Alter the scope of the work authorization in order to define tasks that can be accomplished within the remaining estimated work hours.

   d. The State will notify the Vendor in writing of its election within seven (7) calendar days after receipt of the Vendor's notification. If notice of the election is given to proceed, the Vendor may expend the estimated additional work hours or Services.

41) STOP WORK ORDER The State may issue a written Stop Work Order to Vendor for cause at any time requiring Vendor to suspend or stop all, or any part, of the performance due under the Agreement for a period up to ninety (90) days after the Stop Work Order is delivered to the Vendor. The ninety (90) day period may be extended for any further period for which the parties may agree.

a) The Stop Work Order shall be specifically identified as such and shall indicate that it is issued under this term. Upon receipt of the Stop Work Order, the Vendor shall immediately comply with its terms and take all reasonable steps to minimize incurring costs allocable to the work covered by the Stop Work Order during the period of work suspension or stoppage. Within a period of ninety (90) days after a Stop Work Order is delivered to Vendor, or within any extension of that period to which the parties agree, the State shall either:

   i) Cancel the Stop Work Order, or

   ii) Terminate the work covered by the Stop Work Order as provided for in the termination for default or the termination for convenience clause of the Agreement.

b) If a Stop Work Order issued under this clause is canceled or the period of the Stop Work Order or any extension thereof expires, the Vendor shall resume work. The State shall make an equitable adjustment in the delivery schedule, the Agreement price, or both, and the Agreement shall be modified, in writing, accordingly, if:

   i) The Stop Work Order results in an increase in the time required for, or in the Vendor's cost properly allocable to the performance of any part of the Agreement, and

   ii) The Vendor asserts its right to an equitable adjustment within thirty (30) days after the end of the period of work stoppage; provided that if the State decides the facts justify the action, the State may receive and act upon an offer submitted at any time before final payment under the Agreement.

c) If a Stop Work Order is not canceled and the work covered by the Stop Work Order is terminated in accordance with the provision entitled Termination for Convenience of the State, the State shall allow reasonable direct costs resulting from the Stop Work Order in arriving at the termination settlement.

d) The State shall not be liable to the Vendor for loss of profits because of a Stop Work Order issued under this term.

42) <u>TRANSITION ASSISTANCE</u> If the Agreement is not renewed at the end of the term, or is canceled prior to its expiration, for any reason, the Vendor must provide for up to six (6) months after the expiration or cancellation of the Agreement, all reasonable transition assistance requested by the State, to allow for the expired or canceled portion of the Services to continue without interruption or adverse effect, and to facilitate the orderly transfer of such Services to the State or its designees. Such transition assistance will be deemed by the parties to be governed by the terms and conditions of the Agreement, (notwithstanding this expiration or cancellation) except for those Contract terms or conditions that do not reasonably apply to such transition assistance. The State shall pay the Vendor for any resources utilized in performing such transition assistance at the most current rates provided by the Agreement for Contract performance. If the State cancels the Agreement for cause, then the State will be entitled to off set the cost of paying the Vendor for the additional resources the Vendor utilized in providing transition assistance with any damages the State may have otherwise accrued as a result of said cancellation.

Section 2A: General Terms Applicable to Solutions Hosted on State Infrastructure

1) <u>SOFTWARE LICENSE FOR HARDWARE, EMBEDDED SOFTWARE AND FIRMWARE:</u> Deliverables comprising goods, equipment or products (hardware) may contain software for internal operation, or as embedded software or firmware that is generally not sold or licensed as a severable software product. Software may be provided on separate media, such as a CD-ROM or other media, or may be included within the hardware at or prior to delivery. Such software is proprietary, copyrighted, and may also contain valuable trade secrets and may be protected by patents. Vendor grants the State a license to use the Code (or any replacement provided) on, or in conjunction with, only the Deliverables purchased, or with any system identified in the solicitation documents. The State shall

have a worldwide, nonexclusive, non-sublicensable license to use such software and/or documentation for its internal use. The State may make and install copies of the software to support the authorized level of use. Provided, however that if the hardware is inoperable, the software may be copied for temporary use on other hardware. The State shall promptly affix to any such copy the same proprietary and copyright notices affixed to the original. The State may make one copy of the software for archival, back-up or disaster recovery purposes. The license set forth in this Paragraph shall terminate immediately upon the State's discontinuance of the use of all equipment on which the software is installed. The software may be transferred to another party only with the transfer of the hardware. If the hardware is transferred, the State shall i) destroy all software copies made by the State, ii) deliver the original or any replacement copies of the software to the transferee, and iii) notify the transferee that title and ownership of the software and the applicable patent, trademark, copyright, and other intellectual property rights shall remain with Vendor, or Vendor's licensors. The State shall not disassemble, decompile, reverse engineer, modify, or prepare derivative works of the embedded software, unless permitted under the solicitation documents.

2) **LICENSE GRANT FOR APPLICATION SOFTWARE (COTS):** This paragraph recites the scope of license granted, if not superseded by a mutually agreed and separate licensing agreement, as follows:

a) Vendor grants to the State, its Agencies and lawful customers a non-exclusive, non-transferable and non-sublicensable license to use, in object code format, Vendor's software identified in the solicitation documents, Vendor's Statement of Work (SOW), or an Exhibit thereto executed by the parties ("Software"), subject to the restrictions set forth therein, such as the authorized computer system, the data source type(s), the number of target instance(s) and the installation site. Use of the Software shall be limited to the data processing and computing needs of the State, its Agencies and lawful customers. This license shall be perpetual or for the term of the contract (pick one, delete the other), unless terminated as provided herein. The State agrees not to distribute, sell, sublicense or otherwise transfer copies of the Software or any portion thereof. For purposes of this Agreement, a State Entity shall be defined as any department or agency of the State of North Carolina, which is controlled by or under common control of the State or who is a lawful customer of the State pursuant to Article 3D of Chapter 147 of the General Statutes.

b) Vendor shall provide all encryption or identification codes or authorizations that are necessary or proper for the operation of the licensed Software.

c) The State shall have the right to copy the Software, in whole or in part, for use in conducting benchmark or acceptance tests, for business recovery and disaster recovery testing or operations, for archival or emergency purposes, for back up purposes, for use in preparing derivative works if allowed by the solicitation documents or statements of work, or to replace a worn copy.

d) The State may modify non-personal Software in machine-readable form for its internal use in merging the same with other software program material. Any action hereunder shall be subject to uses described in this paragraph, the restrictions imposed by Paragraph 3), and applicable terms in the solicitation documents or statements of work.

3) **WARRANTY TERMS:** Notwithstanding anything in the Agreement or Exhibit hereto to the contrary, Vendor shall assign warranties for any Deliverable supplied by a third party to the State.

a) a) Vendor warrants that any Software or Deliverable will operate substantially in conformity with prevailing specifications as defined by the current standard documentation (except for minor defects or errors which are not material to the State) for a period of ninety (90) days from the date of acceptance ("Warranty Period"), unless otherwise specified in the Solicitation Documents. If the Software does not perform in accordance with such specifications during the Warranty Period, Vendor will use reasonable efforts to correct any deficiencies in the Software so that it will perform in accordance with or substantially in accordance with such specifications.

b) Vendor warrants to the best of its knowledge that:

i) The licensed Software and associated materials do not infringe any intellectual property rights of any third party;

ii) There are no actual or threatened actions arising from, or alleged under, any intellectual property rights of any third party;

iii) The licensed Software and associated materials do not contain any surreptitious programming codes, viruses, Trojan Horses, “back doors” or other means to facilitate or allow unauthorized access to the State’s information systems.

iv) The licensed Software and associated materials do not contain any timer, counter, lock or similar device (other than security features specifically approved by Customer in the Specifications) that inhibits or in any way limits the Software’s ability to operate.

c) UNLESS MODIFIED BY AMENDMENT OR THE SOLICITATION DOCUMENTS, THE WARRANTIES IN THIS PARAGRAPH ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, OR WHETHER ARISING BY COURSE OF DEALING OR PERFORMANCE, CUSTOM, USAGE IN THE TRADE OR PROFESSION OR OTHERWISE, INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND NO OTHER REPRESENTATIONS OR WARRANTIES HAVE FORMED THE BASIS OF THE BARGAIN HEREUNDER.

4) **RESTRICTIONS:** State's use of the Software is restricted as follows:

a) The license granted herein is granted to the State and to any political subdivision or other entity permitted or authorized to procure Information Technology through the Department of Information Technology. If the License Grant and License Fees are based upon the number of Users, the number of Users may be increased at any time, subject to the restrictions on the maximum number of Users specified in the solicitation documents.

b) No right is granted hereunder to use the Software to perform Services for commercial third parties (so-called "service bureau" uses). Services provided to other State Departments, Agencies or political subdivisions of the State is permitted.

c) The State may not copy, distribute, reproduce, use, lease, rent or allow access to the Software except as explicitly permitted under this Agreement, and State will not modify, adapt, translate, prepare derivative works (unless allowed by the solicitation documents or statements of work,) decompile, reverse engineer, disassemble or otherwise attempt to derive source code from the Software or any internal data files generated by the Software.

d) State shall not remove, obscure or alter Vendor's copyright notice, trademarks, or other proprietary rights notices affixed to or contained within the Software.

5) **SUPPORT OR MAINTENANCE SERVICES:** This paragraph recites the scope of maintenance Services due under the license granted, if not superseded by a separate licensing and maintenance agreement or as may be stated in the solicitation documents. Subject to payment of a Support Service or Maintenance Fee stated in the solicitation documents for the first year and all subsequent years, if requested by the State, Vendor agrees to provide the following support Services (“Support Services”) for the current version and one previous version of the Software commencing upon delivery of the Software:

a) **Error Correction:** If the error conditions reported by the State pursuant to the General Terms and Conditions are not corrected in a timely manner, the State may request a replacement copy of the licensed Software from Vendor. In such event, Vendor shall then deliver a replacement copy, together with corrections and updates, of the licensed Software within 24 hours of the State’s request at no added expense to the State.

b) **Other Agreement**: This Paragraph 5 may be superseded by written mutual agreement provided that: Support and maintenance Services shall be fully described in such a separate agreement annexed hereto and incorporated herein

c) **Temporary Extension of License**: If any licensed Software or CPU/computing system on which the Software is installed fails to operate or malfunctions, the term of the license granted shall be temporarily extended to another CPU selected by the State and continue until the earlier of:

i) Return of the inoperative CPU to full operation, or

ii) Termination of the license.

d) **Encryption Code:** Vendor shall provide any temporary encryption code or authorization necessary or proper for operation of the licensed Software under the foregoing temporary license. The State will provide notice by expedient means, whether by telephone, e-mail or facsimile of any failure

under this paragraph. On receipt of such notice, Vendor shall issue any temporary encryption code or authorization to the State within twenty-four (24) hours; unless otherwise agreed.

e) **Updates:** Vendor shall provide to the State, at no additional charge, all new releases and bug fixes (collectively referred to as "Updates") for any Software Deliverable developed or published by Vendor and made generally available to its other customers at no additional charge. All such Updates shall be a part of the Program and Documentation and, as such, be governed by the provisions of the Agreement.

f) **Telephone Assistance:** Vendor shall provide the State with telephone access to technical support engineers for assistance in the proper installation and use of the Software, and to report and resolve Software problems, during normal business hours, 8:00 AM - 5:00 PM Eastern Time, Monday-Friday. Vendor shall respond to the telephone requests for Program maintenance service, within four (4) hours or eight (8) hours or next business day, etc. *(edit this time to what you want your response time to be)*, for calls made at any time

6) <u>PATENT, COPYRIGHT, AND TRADE SECRET PROTECTION</u>:

a) Vendor has created, acquired or otherwise has rights in, and may, in connection with the performance of Services for the State, employ, provide, create, acquire or otherwise obtain rights in various concepts, ideas, methods, methodologies, procedures, processes, know-how, techniques, models, templates and general purpose consulting and software tools, utilities and routines (collectively, the "Vendor Technology"). To the extent that any Vendor Technology is contained in any of the Deliverables including any derivative works, the Vendor hereby grants the State a royalty-free, fully paid, worldwide, perpetual, non-exclusive license to use such Vendor Technology in connection with the Deliverables for the State's purposes.

b) Vendor shall not acquire any right, title and interest in and to the copyrights for goods, any and all software, technical information, specifications, drawings, records, documentation, data or derivative works thereof, or other work products provided by the State to Vendor. The State hereby grants Vendor a royalty-free, fully paid, worldwide, perpetual, non-exclusive license for Vendor's internal use to non-confidential Deliverables first originated and prepared by the Vendor for delivery to the State.

c) The Vendor, at its own expense, shall defend any action brought against the State to the extent that such action is based upon a claim that the Services or other Deliverables supplied by the Vendor, or the operation of such Deliverables pursuant to a current version of Vendor-supplied software, infringes a patent, or copyright or violates a trade secret in the United States. The Vendor shall pay those costs and damages finally awarded against the State in any such action; damages shall be limited as provided in N.C.G.S. 143B-1350(h1). Such defense and payment shall be conditioned on the following:

   i) That the Vendor shall be notified within a reasonable time in writing by the State of any such claim; and,

   ii) That the Vendor shall have the sole control of the defense of any action on such claim and all negotiations for its settlement or compromise, provided, however, that the State shall have the option to participate in such action at its own expense.

d) Should any Services or other Deliverable supplied by Vendor, or the operation thereof become, or in the Vendor's opinion are likely to become, the subject of a claim of infringement of a patent, copyright, or a trade secret in the United States, the State shall permit the Vendor, at its option and expense, either to procure for the State the right to continue using the goods/hardware or Software, or to replace or modify the same to become noninfringing and continue to meet procurement specifications in all material respects. If neither of these options can reasonably be taken, or if the use of such goods/hardware or Software by the State shall be prevented by injunction, the Vendor agrees to take back such goods/hardware or Software, and refund any sums the State has paid Vendor less any reasonable amount for use or damage and make every reasonable effort to assist the State in procuring substitute Deliverables. If, in the sole opinion of the State, the return of such infringing Deliverables makes the retention of other items of Deliverables acquired from the Vendor under the Agreement impractical, the State shall then have the option of terminating the Contract,

or applicable portions thereof, without penalty or termination charge. The Vendor agrees to take back such Deliverables and refund any sums the State has paid Vendor less any reasonable amount for use or damage.

e) Vendor will not be required to defend or indemnify the State if any claim by a third party against the State for infringement or misappropriation (i) results from the State's alteration of any Vendor-branded product or Deliverable, or (ii) results from the continued use of the good(s) or Services and other Deliverables after receiving notice they infringe a trade secret of a third party.

f) Nothing stated herein, however, shall affect Vendor's ownership in or rights to its preexisting intellectual property and proprietary rights.

7) ACCEPTANCE: Acceptance testing is required for all Vendor supplied software unless provided otherwise in the solicitation documents or a Statement of Work. The State may define such processes and procedures as may be necessary or proper, in its opinion and discretion, to ensure compliance with the State's specifications, and Vendor's Product Warranties and technical representations. Acceptance of software or Services may be controlled by amendment hereto, or additional terms as agreed by the parties. The State shall have the obligation to notify Vendor, in writing and within a reasonable time following installation of any software deliverable if it is not acceptable. The notice shall specify in reasonable detail the reason(s) a software deliverable is unacceptable. Acceptance by the State shall not be unreasonably withheld; but may be conditioned or delayed as required for installation and/or testing of software.

8) STATE PROPERTY AND INTANGIBLES RIGHTS: The parties acknowledge and agree that the State shall own all right, title and interest in and to the copyright in any and all software, technical information, specifications, drawings, records, documentation, data and other work products first originated and prepared by the Vendor for delivery to the State (the "Deliverables"). To the extent that any Vendor Technology is contained in any of the Deliverables, the Vendor hereby grants the State a royalty-free, fully paid, worldwide, perpetual, non-exclusive license to use such Vendor Technology in connection with the Deliverables for the State's internal business purposes. Vendor shall not acquire any right, title and interest in and to the copyrights for goods, any and all software, technical information, specifications, drawings, records, documentation, data or derivative works thereof, or other work products provided by the State to Vendor. The State hereby grants Vendor a royalty-free, fully paid, worldwide, perpetual, non-exclusive license to non-confidential Deliverables first originated and prepared by the Vendor for delivery to the State.

Section 2B: Terms and Conditions Applicable to Vendor Hosted Solutions and/or Vendor Provided Technology Services

2) DEFINITIONS:

a) "State Data" means any data, information, or materials provided to Vendor by or on behalf of the State or any authorized user, or otherwise stored, maintained, processed, or transmitted by Vendor for the State or any authorized user in connection with this Agreement, including any copies, backups, metadata, logs, identifiers, or extracts of such data. State Data does not include Deliverables or outputs, except to the extent they contain, disclose, incorporate, or can reasonably be used to identify or reconstruct State Data.

b) "Support" includes provision of ongoing updates and maintenance for the Vendor hosted software applications or solution, and as may be specified herein, consulting, training and other support Services as provided by the Vendor as Vendor hosted Services.

3) ACCESS AND USE OF VENDOR HOSTED SERVICES:

a) The Vendor grants the State a personal non-transferable and non-exclusive right to use and access, all Services and other functionalities or services provided, furnished or accessible under this Agreement. The State may utilize the Services as agreed herein and in accordance with any mutually agreed Acceptable Use Policy. The State is authorized to access State Data and any Vendor-provided data as specified herein and to transmit revisions, updates, deletions, enhancements, or modifications to the State Data. This shall include the right of the State to, and access to, Support without the Vendor

requiring a separate maintenance or support agreement. Subject to an agreed limitation on the number of users, the State may use the Services with any computer, computer system, server, or desktop workstation owned or utilized by the State or other authorized users. User access to the Services shall be routinely provided by the Vendor and may be subject to a more specific Service Level Agreement (SLA) agreed to in writing by the parties. The State shall notify the Vendor of any unauthorized use of any password or account, or any other known or suspected breach of security access. The State also agrees to refrain from taking any steps, such as reverse engineering, reverse assembly or reverse compilation to derive a source code equivalent to the Services or any portion thereof. Use of the Services to perform services for commercial third parties (so-called "service bureau" uses) is not permitted, but the State may utilize the Services to perform its governmental functions. If the Services fees are based upon the number of Users and/or hosted instances, the number of Users/hosted instances available may be adjusted at any time (subject to the restrictions on the maximum number of Users specified in the Furnish and Deliver Table herein above) by mutual agreement and State Procurement approval. All Services and information designated as "confidential" or "proprietary" shall be kept in confidence except as may be required by the North Carolina Public Records Act: N.C.G.S. § 132-1, *et. seq*.

b) The State's access license for the Services and its associated services neither transfers, vests, nor infers any title or other ownership right in any intellectual property rights of the Vendor or any third party, nor does this license transfer, vest, or infer any title or other ownership right in any source code associated with the Services unless otherwise agreed to by the parties. The provisions of this paragraph will not be construed as a sale of any ownership rights in the Services. Any Services or technical and business information owned by Vendor or its suppliers or licensors made accessible or furnished to the State shall be and remain the property of the Vendor or such other party, respectively. Vendor has a limited, non-exclusive license to access and use the State Data as provided to Vendor, but solely for performing its obligations under this Agreement and in confidence as provided herein.

c) The Vendor or its suppliers shall at minimum, and except as otherwise agreed, provide telephone assistance to the State for all Services procured hereunder during the State's normal business hours (unless different hours are specified herein). The Vendor warrants that its Support and customer service and assistance will be performed in accordance with generally accepted industry standards. The State has the right to receive the benefit of upgrades, updates, maintenance releases or other enhancements or modifications made generally available to the Vendor's tenants for similar Services. The Vendor's right to a new use agreement for new version releases of the Services shall not be abridged by the foregoing. The Vendor may, at no additional charge, modify the Services to improve operation and reliability or to meet legal requirements.

d) The Vendor will provide to the State the same Services for updating, maintaining and continuing optimal performance for the Services as provided to other similarly situated users or tenants of the Services, but minimally as provided for and specified herein. Unless otherwise agreed in writing, Support will also be provided for any other (e.g., third party) software provided by the Vendor in connection with the Vendor's solution herein. The technical and professional activities required for establishing, managing, and maintaining the Services environment are the responsibilities of the Vendor. Any training specified herein will be provided by the Vendor to certain State users for the fees or costs as set forth herein or in an SLA.

e) Services provided pursuant to this Solicitation may, in some circumstances, be accompanied by a user clickwrap agreement. The term clickwrap agreement refers to an agreement that requires the end user to manifest his or her assent to terms and conditions by clicking an "ok" or "agree" button on a dialog box or pop-up window as part of the process of access to the Services. All terms and conditions of any clickwrap agreement provided with any Services solicited herein shall have no force and effect and shall be non-binding on the State, its employees, agents, and other authorized users of the Services.

f) The Vendor may utilize partners and/or subcontractors to assist in the provision of the Services, so long as the State Data is not removed from the United States unless the terms of storage of the State Data are clearly disclosed, the security provisions referenced herein can still be complied with, and such removal is done with the prior express written permission of the State. The Vendor shall identify all of its

strategic business partners related to Services provided under this contract including, but not limited to, all subcontractors or other entities or individuals who may be a party to a joint venture or similar agreement with the Vendor, who will be involved in any application development and/or operations.

g) The Vendor warrants that all Services will be performed with professional care and skill, in a workmanlike manner and in accordance with the Services documentation and this Agreement.

h) An SLA or other agreed writing shall contain provisions for scalability of Services and any variation in fees or costs as a result of any such scaling.

i) Professional services provided by the Vendor at the request by the State in writing in addition to agreed Services shall be at the then-existing Vendor hourly rates when provided, unless otherwise agreed in writing by the parties.

4) WARRANTY OF NON-INFRINGEMENT:

a) The Vendor warrants to the best of its knowledge that:
   i) The Services do not infringe any intellectual property rights of any third party; and
   ii) There are no actual or threatened actions arising from, or alleged under, any intellectual property rights of any third party.

5) ACCESS AVAILABILITY; REMEDIES:

a) The Vendor warrants that the Services will be in good working order, and operating in conformance with Vendor's standard specifications and functions as well as any other specifications agreed to by the parties in writing, and shall remain accessible 24/7, with the exception of scheduled outages for maintenance and of other service level provisions agreed in writing, e.g., in an SLA. The Vendor does not warrant that the operation of the Services will be completely uninterrupted or error free, or that the Services functions will meet all the State's requirements unless developed as Customized Services.

b) The State shall notify the Vendor if the Services are not in good working order or inaccessible during the term of the Agreement. The Vendor shall, at its option, either repair, replace or reperform any Services reported or discovered as not being in good working order and accessible during the applicable contract term without cost to the State. If the Services' monthly availability averages less than 99.9% (excluding agreed-upon maintenance downtime), the State shall be entitled to receive automatic credits as indicated immediately below, or the State may use other contractual remedies such as recovery of damages, as set forth herein in writing, e.g., in Specifications, Special Terms or in an SLA, and as such other contractual damages are limited by N.C.G.S. § 143B-1350(h1) and the Limitation of Liability paragraph below. If not otherwise provided, the automatic remedies for non-availability of the Subscription Services during a month are:
   1. A 10% service credit applied against future fees if Vendor does not reach 99.9% availability.
   2. A 25% service credit applied against future fees if Vendor does not reach 99% availability.
   3. A 50% service credit applied against future fees or eligibility for early termination of the Agreement if Vendor does not reach 95% availability.

   If, however, Services meet the 99.9% service availability level for a month but are not available for a consecutive 120 minutes during that month, the Vendor shall grant to the State a credit of a pro-rated one-day of the monthly subscription Services fee against future Services charges. Such credit(s) shall be applied to the bill immediately following the month in which the Vendor failed to meet the performance requirements or other service levels, and the credit will continue to be deducted from the monthly invoice for each prior month that Vendor fails to meet the support response times for the remainder of the duration of the Agreement. If Services monthly availability averages less than 99.9% (excluding agreed-upon maintenance downtime), for three (3) or more months in a rolling twelve-month period, the State may also terminate the contract for material breach in accordance with the Default provisions hereinbelow.

c) Support Services. If the Vendor fails to meet Support Service response times as set forth herein or in an SLA for a period of three (3) consecutive months, a 10% service credit will be deducted from the invoice in the month immediately following the third month, and the 10% service credit will continue to be deducted from the monthly invoice for each month that the Vendor fails to meet the support response times for the remainder of the duration of the Agreement.

5) **EXCLUSIONS:**

a) Except as stated above in Paragraphs 3 and 4, Vendor and its parent, subsidiaries and affiliates, subcontractors and suppliers make no warranties, express or implied, as to the Services.
b) The warranties provided in Paragraphs 3 and 4 above do not cover repair for damages, malfunctions or service failures substantially caused by:
    i) Actions of non-Vendor personnel;
    ii) Failure to follow Vendor's written instructions relating to the Services provided to the State; or
    iii) Force Majeure conditions set forth hereinbelow.
    iv) The State's sole misuse of, or its own inability to use, the Services.

6) **PERFORMANCE REVIEW AND ACCOUNTABILITY:** N.C.G.S. § 143B-1340(f) and 09 NCAC 06B.1207 require provisions for performance review and accountability in State IT contracts. For this procurement, these shall include the holding a retainage of ten percent (10%) of the contract value and withholding the final payment contingent on final acceptance by the State as provided in 09 NCAC 06B.1207(3) and (4), unless waived or otherwise agreed, in writing. The Services herein will be provided consistent with and under these Services performance review and accountability guarantees.
7) **LIMITATION OF LIABILITY – RESERVED**
8) **VENDOR'S LIABILITY FOR INJURY TO PERSONS OR DAMAGE TO PROPERTY:** Reserved.
9) **MODIFICATION OF SERVICES:** If Vendor modifies or replaces the Services provided to the State and other tenants, and if the State has paid all applicable Subscription Fees, the State shall be entitled to receive, at no additional charge, access to a newer version of the Services that supports substantially the same functionality as the then accessible version of the Services. Newer versions of the Services containing substantially increased functionality may be made available to the State for an additional subscription fee. In the event of either of such modifications, the then accessible version of the Services shall remain fully available to the State until the newer version is provided to the State and accepted. If a modification materially affects the functionality of the Services as used by the State, the State, at its sole option, may defer such modification.
10) **TRANSITION PERIOD:**
    a) For ninety (90) days, either prior to the expiration date of this Agreement, or upon notice of termination of this Agreement, the Vendor shall assist the State, upon written request, in extracting and/or transitioning all Data in the format determined by the State ("Transition Period").
    b) The Transition Period may be modified in an SLA or as agreed upon in writing by the parties in a contract amendment.
    c) During the Transition Period, Services access shall continue to be made available to the State without alteration.
    d) The Vendor agrees to compensate the State for damages or losses the State incurs as a result of Vendor's failure to comply with this Transition Period section in accordance with the Limitation of Liability provisions above.
    e) Upon termination, and unless otherwise stated in an SLA, and after providing the State Data to the State as indicated above in this section with acknowledged receipt by the State in writing, the Vendor shall permanently destroy or render inaccessible any portion of the State Data in the Vendor's and/or subcontractor's possession or control following the completion and expiration of all obligations in this section. Within thirty (30) days, the Vendor shall issue a written statement to the State confirming the destruction or inaccessibility of the State's Data.
    f) The State at its option, may purchase additional Transition Services as may be agreed upon in a supplemental agreement.
11) **TRANSPORTATION:** Transportation charges for any Deliverable sent to the State other than electronically or by download shall be FOB Destination unless delivered by internet or file-transfer as agreed by the State, or otherwise specified in the solicitation document or purchase order.
12) **PAYMENT TERMS (Applicable to Vendor Hosted Solutions):**
    a) Payment may be made by the State in advance of or in anticipation of subscription Services to be actually performed under the Agreement or upon proper invoice for other Services rendered. Payment terms are Net 30 days after receipt of correct invoice. Initial payments are to be made after final acceptance of the Services. Payments are subject to any retainage requirements herein. The

Purchasing State Agency is responsible for all payments under the Agreement. Subscription fees for term years after the initial year shall be as quoted under State options herein but shall not increase more than five percent (5%) over the prior term, except as the parties may have agreed to an alternate formula to determine such increases in writing. No additional charges to the State will be permitted based upon, or arising from, the State's use of a Business Procurement Card. The State may exercise any and all rights of Set Off as permitted in Chapter 105A-1 *et seq*. of the N.C. General Statutes and applicable Administrative Rules.

b) Upon the Vendor's written request of not less than thirty (30) days and approval by the State, the State may:
   i) Forward the Vendor's payment check(s) directly to any person or entity designated by the Vendor or
   ii) Include any person or entity designated in writing by Vendor as a joint payee on the Vendor's payment check(s), however,
   iii) In no event shall such approval and action obligate the State to anyone other than the Vendor and the Vendor shall remain responsible for fulfillment of all Agreement obligations.

c) For any third party software licensed by the Vendor or its subcontractors for use by the State, a copy of the software license including terms acceptable to the State, an assignment acceptable to the State, and documentation of license fees paid by the Vendor must be provided to the State before any related license fees or costs may be billed to the State.

d) An undisputed invoice is an invoice for which the State and/or the Purchasing State Agency has not disputed in writing within thirty (30) days from the invoice date, unless the agency requests more time for review of the invoice. Upon the Vendor's receipt of a disputed invoice notice, the Vendor will work to correct the applicable invoice error, provided that such dispute notice shall not relieve the State or the applicable Purchasing State Agency from its payment obligations for the undisputed items on the invoice or for any disputed items that are ultimately corrected. The Purchasing State Agency is not required to pay the Vendor for any Software or Services provided without a written purchase order from the appropriate Purchasing State Agency. In addition, all such Services provided must meet all terms, conditions, and specifications of this Agreement and purchase order and be accepted as satisfactory by the Purchasing State Agency before payment will be issued.

e) The Purchasing State Agency shall release any amounts held as retainages for Services completed within a reasonable period after the end of the period(s) or term(s) for which the retainage was withheld. Payment retainage shall apply to all invoiced items, excepting only such items as the Vendor obtains from Third Parties and for which costs are chargeable to the State by agreement of the Parties. The Purchasing State Agency, in its sole discretion, may release retainages withheld from any invoice upon acceptance of the Services identified or associated with such invoices.

13) **SECURITY OF STATE DATA**

a) All materials, including software, Data, information and documentation provided by the State to the Vendor (State Data) during the performance or provision of Services hereunder are the property of the State of North Carolina and must be kept secure and returned to the State. The Vendor will protect State Data in its hands from unauthorized disclosure, loss, damage, destruction by natural event, or other eventuality. Proprietary Vendor materials shall be identified to the State by the Vendor prior to use or provision of Services hereunder and shall remain the property of the Vendor. Derivative works of any Vendor proprietary materials prepared or created during the performance of provision of Services hereunder shall be provided to the State as part of the Services. The Vendor shall not access State User accounts, or State Data, except (i) during data center operations; (ii) in response to service or technical issues; (iii) as required by the express terms of this contract; or (iv) at the State's written request. The Vendor shall protect the confidentiality of all information, Data, instruments, studies, reports, records and other materials provided to it by the State or maintained or created in accordance with this Agreement. No such information, Data, instruments, studies, reports, records and other materials in the possession of Vendor shall be disclosed in any form without the prior written agreement with the State. The Vendor will have written policies governing access to and duplication and dissemination of all such information, Data, instruments, studies, reports, records and other materials.

b) The Vendor shall not store or transfer non-public State data outside of the United States. This includes backup data and Disaster Recovery locations. The Service Provider will permit its personnel and contractors to access State of North Carolina data remotely only as required to provide technical support.

c) Protection of personal privacy and sensitive data. The Vendor acknowledges its responsibility for securing any restricted or highly restricted data, as defined by the Statewide Data Classification and Handling Policy (https://it.nc.gov/document/statewide-data-classification-and-handling-policy) that is collected by the State and stored in any Vendor site or other Vendor housing systems including, but not limited to, computer systems, networks, servers, or databases, maintained by Vendor or its agents or subcontractors in connection with the provision of the Services. The Vendor warrants, at its sole cost and expense, that it shall implement processes and maintain the security of data classified as restricted or highly restricted; provide reasonable care and efforts to detect fraudulent activity involving the data; and promptly notify the State of any breaches of security within twenty-four (24) hours of confirmation as required by N.C.G.S. § 143B-1379.

d) The Vendor will provide and maintain secure backup of the State Data. The Vendor shall implement and maintain secure passwords for its online system providing the Services, as well as all appropriate administrative, physical, technical and procedural safeguards at all times during the term of this Agreement to secure such Data from Data Breach, protect the Data and the Services from loss, corruption, unauthorized disclosure, and the introduction of viruses, disabling devices, malware and other forms of malicious or inadvertent acts that can disrupt the State's access to its Data and the Services. The Vendor will allow periodic back-up of State Data by the State to the State's infrastructure as the State requires or as may be provided by law.

e) The Vendor shall certify to the State:
   i) The sufficiency of its security standards, tools, technologies and procedures in providing Services under this Agreement;
   ii) The Vendor shall ensure that each system used to provide Services under this Agreement meets the applicable GovRAMP requirements based on the data classification level, as defined in the SISM and associated policies. For data classified as Public, the requirement shall be satisfied through a current GovRAMP Security Snapshot Score. For data classified as Internal, Confidential, or Restricted the Vendor shall achieve, or agree to achieve within the required timeframe, the applicable GovRAMP verified status. A FedRAMP Rev. 5 authorization may be accepted in lieu of a GovRAMP verified status, where applicable.
   iii) That the Services will comply with the following:
      (1) Any DIT security policy regarding Cloud Computing, and the DIT Statewide Information Security Policy Manual; to include encryption requirements as defined below:
         (a) The Vendor shall encrypt all non-public data in transit regardless of the transit mechanism.
         (b) For engagements where the Vendor stores sensitive personally identifiable or otherwise confidential information, this data shall be encrypted at rest. Examples are social security number, date of birth, driver's license number, financial data, federal/state tax information, and hashed passwords. The Vendor's encryption shall be consistent with validated cryptography standards as specified in National Institute of Standards and Technology FIPS140-2, Security Requirements. The key location and other key management details will be discussed and negotiated by both parties. When the Service Provider cannot offer encryption at rest, it must maintain, for the duration of the contract, cyber security liability insurance coverage for any loss resulting from a data breach. Additionally, where encryption of data at rest is not possible, the Vendor must describe existing security measures that provide a similar level of protection;
      (2) Privacy provisions of the Federal Privacy Act of 1974;
      (3) The North Carolina Identity Theft Protection Act, N.C.G.S. Chapter 75, Article 2A (e.g., N.C.G.S. § 75-65 and -66);
      (4) The North Carolina Public Records Act, N.C.G.S. Chapter 132;
      (5) Applicable Federal, State and industry standards and guidelines including, but not limited to,

relevant security provisions of the Payment Card Industry (PCI) Data Security Standard (PCIDSS) including the PCIDSS Cloud Computing Guidelines, Criminal Justice Information, The Family Educational Rights and Privacy Act (FERPA), Health Insurance Portability and Accountability Act (HIPAA); and

(6) Any requirements implemented by the State under N.C.G.S. §§ 143B-1376 and -1377.

(7) Any requirements implemented by the State under N.C.G.S. §§ 20-309.2(d).

f) Security Breach. "Security Breach" under the NC Identity Theft Protection Act (N.C.G.S. § 75-60*ff*) means (1) any circumstance pursuant to which applicable Law requires notification of such breach to be given to affected parties or other activity in response to such circumstance (e.g., N.C.G.S. § 75-65); or (2) any actual, attempted, suspected, threatened, or reasonably foreseeable circumstance that compromises, or could reasonably be expected to compromise, either Physical Security or Systems Security (as such terms are defined below) in a fashion that either does or could reasonably be expected to permit unauthorized Processing (as defined below), use, disclosure or acquisition of or access to any the State Data or state confidential information. "Physical Security" means physical security at any site or other location housing systems maintained by Vendor or its agents or subcontractors in connection with the Services. "Systems Security" means security of computer, electronic or telecommunications systems of any variety (including data bases, hardware, software, storage, switching and interconnection devices and mechanisms), and networks of which such systems are a part or communicate with, used directly or indirectly by Vendor or its agents or subcontractors in connection with the Services. "Processing" means any operation or set of operations performed upon the State Data or State confidential information, whether by automatic means, such as creating, collecting, procuring, obtaining, accessing, recording, organizing, storing, adapting, altering, retrieving, consulting, using, disclosing or destroying.

g) Breach Notification. In the event the Vendor becomes aware of any Security Breach due to Vendor acts or omissions other than in accordance with the terms of the Agreement, the Vendor shall, at its own expense, (1) immediately notify the State's Agreement Administrator of such Security Breach and perform a root cause analysis thereon; (2) investigate such Security Breach; (3) provide a remediation plan, acceptable to the State, to address the Security Breach and prevent any further incidents; (4) conduct a forensic investigation to determine what systems, data and information have been affected by such event; and (5) cooperate with the State, and any law enforcement or regulatory officials, credit reporting companies, and credit card associations investigating such Security Breach. The State shall make the final decision on notifying the State's persons, entities, employees, service providers and/or the public of such Security Breach, and the implementation of the remediation plan. If a notification to a customer is required under any Law or pursuant to any of the State's privacy or security policies, then notifications to all persons and entities who are affected by the same event (as reasonably determined by the State) shall be considered legally required.

h) Notification Related Costs. The Vendor shall reimburse the State for all Notification Related Costs incurred by the State arising out of or in connection with any such Security Breach due to Vendor acts or omissions other than in accordance with the terms of the Agreement resulting in a requirement for legally required notifications. "Notification Related Costs" shall include the State's internal and external costs associated with addressing and responding to the Security Breach including, but not limited to, (1) preparation and mailing or other transmission of legally required notifications; (2) preparation and mailing or other transmission of such other communications to customers, agents or others as the State deems reasonably appropriate; (3) establishment of a call center or other communications procedures in response to such Security Breach (e.g., customer service FAQs, talking points and training); (4) public relations and other similar crisis management services; (5) legal and accounting fees and expenses associated with the State's investigation of and response to such event; and (6) costs for credit reporting services that are associated with legally required notifications or are advisable, in the State's opinion, under the circumstances. If the Vendor becomes aware of any Security Breach which is not due to Vendor acts or omissions other than in accordance with the terms of the Agreement, the Vendor shall immediately notify the State of such Security Breach, and the parties shall reasonably cooperate regarding which of the foregoing or other activities may be appropriate under the

circumstances, including any applicable Charges for the same.

i) The Vendor shall allow the State reasonable access to Services security logs, latency statistics, and other related Services security data that affect this Agreement and the State's Data, at no cost to the State.

j) In the course of normal operations, it may become necessary for the Vendor to copy or move Data to another storage destination on its online system, and delete the Data found in the original location. In any such event, the Vendor shall preserve and maintain the content and integrity of the Data, except by prior written notice to, and prior written approval by, the State.

k) Remote access to Data from outside the continental United States including, without limitation, remote access to Data by authorized Services support staff in identified support centers, is prohibited unless approved in advance by the State Chief Information Officer or the Using Agency.

l) In the event of temporary loss of access to Services, the Vendor shall promptly restore continuity of Services, restore Data in accordance with this Agreement and as may be set forth in an SLA, restore accessibility of Data and the Services to meet the performance requirements stated herein or in an SLA. As a result, Service Level remedies will become available to the State as provided herein, in the SLA or other agreed and relevant documents. Failure to promptly remedy any such temporary loss of access may result in the State exercising its options for assessing damages under this Agreement.

m) In the event of disaster or catastrophic failure that results in significant State Data loss or extended loss of access to Data or Services, the Vendor shall notify the State by the fastest means available and in writing, with additional notification provided to the State Chief Information Officer or designee of the contracting agency. Vendor shall provide such notification within twenty-four (24) hours after Vendor reasonably believes there has been such a disaster or catastrophic failure. In the notification, Vendor shall inform the State of:
   (1) The scale and quantity of the State Data loss;
   (2) What Vendor has done or will do to recover the State Data from backups and mitigate any deleterious effect of the State Data and Services loss; and
   (3) What corrective action Vendor has taken or will take to prevent future State Data and Services loss.
   (4) If Vendor fails to respond immediately and remedy the failure, the State may exercise its options for assessing damages or other remedies under this Agreement.

   The Vendor shall investigate the disaster or catastrophic failure and shall share the report of the investigation with the State. The State and/or its authorized agents shall have the right to lead (if required by law) or participate in the investigation. The Vendor shall cooperate fully with the State, its agents and law enforcement.

n) In the event of termination of this contract, cessation of business by the Vendor or other event preventing the Vendor from continuing to provide the Services, the Vendor shall not withhold the State Data or any other State confidential information or refuse, for any reason, to promptly return to the State the State Data and any other State confidential information (including copies thereof) if requested to do so on such media as reasonably requested by the State, even if the State is then or is alleged to be in breach of the Agreement. As a part of the Vendor's obligation to provide the State Data pursuant to this Paragraph 18) n), the Vendor will also provide the State any data maps, documentation, software, or other materials necessary, including, without limitation, handwritten notes, materials, working papers or documentation, for the State to use, translate, interpret, extract and convert the State Data.

o) Secure Data Disposal. When requested by the State, the Vendor shall destroy all requested data in all of its forms (e.g., disk, CD/DVD, backup tape, and paper). Data shall be permanently deleted and shall not be recoverable, in accordance with National Institute of Standards and Technology (NIST) approved methods, and certificates of destruction shall be provided to the State.

Section 3: Terms and Conditions Applicable to Personnel and Personal Services

1) <u>VENDOR'S REPRESENTATION</u>: Vendor warrants that qualified personnel will provide Services in a professional manner. "Professional manner" means that the personnel performing the Services will

possess the skill and competence consistent with the prevailing business standards in the information technology industry. Vendor agrees that it will not enter any agreement with a third party that might abridge any rights of the State under the Agreement. Vendor will serve as the prime Vendor under the Agreement. Should the State approve any subcontractor(s), the Vendor shall be legally responsible for the performance and payment of the subcontractor(s). Names of any third party Vendors or subcontractors of Vendor may appear for purposes of convenience in Contract documents; and shall not limit Vendor's obligations hereunder. Such third party subcontractors, if approved, may serve as subcontractors to Vendor. Vendor will retain executive representation for functional and technical expertise as needed in order to incorporate any work by third party subcontractor(s).

a) Intellectual Property. Vendor represents that it has the right to provide the Services and other Deliverables without violating or infringing any law, rule, regulation, copyright, patent, trade secret or other proprietary right of any third party. Vendor also represents that its Services and other Deliverables are not the subject of any actual or threatened actions arising from, or alleged under, any intellectual property rights of any third party.
b) Inherent Services. If any Services or other Deliverables, functions, or responsibilities not specifically described in the Agreement are required for Vendor's proper performance, provision and delivery of the Services and other Deliverables pursuant to the Agreement, or are an inherent part of or necessary sub-task included within the Services, they will be deemed to be implied by and included within the scope of the Contract to the same extent and in the same manner as if specifically described in the Contract.
c) Vendor warrants that it has the financial capacity to perform and to continue to perform its obligations under the Contract; that Vendor has no constructive or actual knowledge of an actual or potential legal proceeding being brought against Vendor that could materially adversely affect performance of the Agreement; and that entering into the Agreement is not prohibited by any Contract, or order by any court of competent jurisdiction.

2) <u>SERVICES PROVIDED BY VENDOR</u>: Vendor shall provide the State with implementation Services as specified in a Statement of Work ("SOW") executed by the parties. This Agreement in combination with each SOW individually comprises a separate and independent contractual obligation from any other SOW. A breach by Vendor under one SOW will not be considered a breach under any other SOW. The Services intended hereunder are related to the State's implementation and/or use of one or more Software Deliverables licensed hereunder or in a separate software license agreement between the parties ("License Agreement"). (Reserve if not needed)

3) <u>PERSONNEL</u>: Vendor shall not substitute key personnel assigned to the performance of the Agreement without prior written approval by the Agency Contract Administrator. The individuals designated as key personnel for purposes of the Agreement are those specified in the Vendor's offer. Any desired substitution shall be noticed to the Agency's Contract Administrator in writing accompanied by the names and references of Vendor's recommended substitute personnel. The Agency will approve or disapprove the requested substitution in a timely manner. The Agency may, in its sole discretion, terminate the Services of any person providing Services under the Agreement. Upon such termination, the Agency may request acceptable substitute personnel or terminate the Contract Services provided by such personnel.

a) Unless otherwise expressly provided in the Contract, Vendor will furnish all of its own necessary management, supervision, labor, facilities, furniture, computer and telecommunications equipment, software, supplies and materials necessary for the Vendor to provide and deliver the Services and other Deliverables.
b) Vendor personnel shall perform their duties on the premises of the State, during the State's regular work days and normal work hours, except as may be specifically agreed otherwise, established in the specification, or statement of work.
c) The Agreement shall not prevent Vendor or any of its personnel supplied under the Agreement from performing similar Services elsewhere or restrict Vendor from using the personnel provided to the State, provided that:

i) Such use does not conflict with the terms, specifications or any amendments to the Agreement, or
ii) Such use does not conflict with any procurement law, regulation or policy, or
iii) Such use does not conflict with any non-disclosure agreement, or term thereof, by and between the State and Vendor or Vendor's personnel.

d) Unless otherwise provided by the Agency, the Vendor shall furnish all necessary personnel, Services, and otherwise perform all acts, duties and responsibilities necessary or incidental to the accomplishment of the tasks specified in the Agreement. The Vendor shall be legally and financially responsible for its personnel including, but not limited to, any deductions for social security and other withholding taxes required by state or federal law. The Vendor shall be solely responsible for acquiring any equipment, furniture, and office space not furnished by the State necessary for the Vendor to comply with the Agreement. The Vendor personnel shall comply with any applicable State facilities or other security rules and regulations.

4) <u>PERSONAL SERVICES</u>: The State shall have and retain the right to obtain personal Services of any individuals providing Services under the Agreement. This right may be exercised at the State's discretion in the event of any transfer of the person providing personal Services, termination, default, merger, acquisition, bankruptcy or receivership of the Vendor to ensure continuity of Services provided under the Agreement. Provided, however, that the Agency shall not retain or solicit any Vendor employee for purposes other than completion of personal Services due as all or part of any performance due under the Agreement.

a) Vendor personnel shall perform any duties on the premises of the State during the State's regular work days and normal work hours, except as may be specifically agreed otherwise, established in the specification, or statement of work.

b) The State has and reserves the right to disapprove the continuing assignment of Vendor personnel provided by Vendor under the Agreement. If this right is exercised and the Vendor is not able to replace the disapproved personnel as required by the State, the parties agree to employ best commercial efforts to informally resolve such failure equitably by adjustment of other duties, set-off, or modification to other terms that may be affected by Vendor's failure.

c) Vendor will make every reasonable effort consistent with prevailing business practices to honor the specific requests of the State regarding assignment of Vendor's employees. Vendor reserves the sole right to determine the assignment of its employees. If one of Vendor's employees is unable to perform due to illness, resignation, or other factors beyond Vendor's control, Vendor will provide suitable personnel at no additional cost to the State.

d) The Agreement shall not prevent Vendor or any of its personnel supplied under the Agreement from performing similar Services elsewhere or restrict Vendor from using the personnel provided to the State, provided that:
i) Such use does not conflict with the terms, specifications or any amendments to the Agreement, or
ii) Such use does not conflict with any procurement law, regulation or policy, or
iii) Such use does not conflict with any non-disclosure agreement, or term thereof, by and between the State and Vendor or Vendor's personnel.

Section 4: NCDIT Artificial Intelligence Terms And Conditions

1) DEFINITIONS: As used herein:

"AI": For purposes of this Agreement, all references to "AI" shall be deemed to include both Artificial Intelligence (AI) and Generative AI (GenAI), collectively. "AI" shall be interpreted broadly and contextually. It includes, but is not limited to, Artificial Intelligence (AI) and Generative AI (GenAI) as defined herein, and encompasses any AI-related technology, systems, features, tools, services, or functionality—whether embedded, integrated, or externally supported, and includes machine learning models, automated decision-making processes, predictive analytics, natural language processing, and other engineered systems that simulate or augment human intelligence. It also includes any artificial intelligence-powered technology model, tool, or environment used to generate, suggest, analyze, or modify content, code or data.

"Artificial Intelligence (AI)": A machine-based system that, for explicit or implicit objectives, processes data to make predictions, recommendations or decisions influencing real or virtual environments. Such systems may perform tasks previously done by humans or requiring human intelligence, may include automated decision-making and may be designed to learn from experience or adapt to new inputs.

"AI Incident": An event that materially impairs confidentiality, integrity, availability, accuracy, fairness, or safety of the AI or State Data, including but not limited to jailbreaks, prompt-injection, data exfiltration, material hallucinations, or discriminatory outcomes.

"AI Model": A component of an AI system, including its training data, parameters, configuration, safety settings, prompts and embeddings, that implements AI to produce Outputs from a given set of Inputs.

"Bias": Unjustified, systemic error or distortion in Outputs across relevant groups, including Outputs that are discriminatory, unfair or unrepresentative, as measurable under applicable law or documented test methodology for the use case.

"Disgorgement": The complete removal, deletion, or rollback of any AI Models, model parameters, training artifacts, or other derivative technologies developed, trained, fine-tuned, derived from, or otherwise improved using State Data, thus eliminating any benefit retained by the Vendor as a result of such use, and restoring affected systems to a state that does not incorporate or rely on State Data.

"Generative Artificial Intelligence (GenAI)": An AI system that generates new content such as code, images, music, text, simulations, 3D objects, and videos, whether from prompts or retrieved data.

"Hallucination": Generated content that is fabricated, false, or not grounded in authoritative or provided source content. This can include, but is not limited to, confidently stated inaccuracies or fabricated citations with or without RAG sources.

"Input": Any data, prompts, system prompts, queries, commands, feedback, documents, metadata or other content the State or its users upload, submit, enter, provide or authorize for processing or analysis.

"Output": Any content or result derived from an Input and generated or produced by the AI, including but not limited to summaries, translations, analyses, reports, charts, visualizations, text, code, images, audio, recommendations, predictions, rankings, confidence values, embeddings, scores, or other data.

"**Retrieval Augmented Generation (RAG)":** A method by which an AI system retrieves external documents or data (the "retrieval database") at the time of inference to inform its output without incorporating such data into the model.

"State Data" or "State's Data": Means Data as that term is defined and used in the NCDIT Terms and Conditions in this Agreement that are applicable to Vendor hosted Services such as SaaS, IaaS, and PaaS. State Data includes Inputs and Outputs, and intermediate derived data artifacts, which mean any data objects created from or containing State Data, Inputs, or Outputs including vector embeddings, retrieval indexes, caches, intermediate context windows, chat history, prompt/response logs, and telemetry.

"Training Data": Any data used to train, tune, fine-tune, adapt, align, evaluate, test, or validate an AI Model, including but not limited to reinforcement learning using human or AI feedback, and including synthetic or derived data.

2) AI DISCLOSURE AND AUTHORIZATION:

a) **Prohibition on Unauthorized AI**. During the term of the Agreement, Vendor and its subcontractors shall not provide any Software, Deliverables, or Services that use or incorporate AI, including embedded or third-party AI, unless such AI conforms to the requirements and specifications of this Agreement and has been disclosed and approved by the State in writing. AI shall not be activated by default and may only be enabled following affirmative configuration and State approval.

b) **Mandatory Disclosure and Notification**. Vendor shall promptly disclose in writing any AI included in Software, Services, Deliverables, or related work that has not been previously approved by the State. In addition, Vendor shall provide written notice to the State within twenty-four (24) hours of determining that any AI will be used in a manner that could reasonably be expected to materially impact the following:

i) State System Functionality or Performance, including data integrity, availability, confidentiality, or security;

ii) Risk to the State, including operations, security, or reputation;

iii) Contract Performance, where Vendor's failure to comply would constitute a material breach of this Agreement.

c) Vendor shall also support version pinning and provide at least thirty (30) days' advance written notice of any AI model or configuration update that could materially affect output behavior or the State's risk posture. Vendor shall maintain the capability to rollback to a previously approved AI model or configuration upon the State's request, where an update materially impacts functionality, risk posture, or contract performance. Vendor shall provide documentation and reasonable assistance necessary to execute such rollback in a timely manner.

i. Emergency security updates may be applied without prior notice where reasonably necessary to remediate a critical vulnerability or outage; Vendor shall provide written notice and change documentation within forty-eight (48) hours thereafter.

ii. For purposes of this section, "material impact" means any effect that could reasonably be expected to impair system functionality, increase security vulnerabilities, or compromise contractual obligations. Failure to disclose AI as required under this Section may constitute a material breach of this Agreement. The State may consider a Vendor's failure to disclose or discontinue the provision or use of AI a material breach of the agreement when the failure results in a material impact to the functionality of State systems, risk to the State, or an agreement performance. The State is entitled to seek any and all remedies available under the law as a result of the breach, including termination of the agreement for cause

d) The State reserves the right to audit the Vendor's Services, Deliverables, Software, and associated technologies at any time during the term of this Agreement to verify compliance. If any unapproved AI is identified, the State may require immediate removal, suspend affected Services, or pursue any available remedies under this Agreement or applicable law.

3) DATA OWNERSHIP AND USE:

a) **Ownership**: As between the parties, State Data, Input, and Output remain the sole property of the State. Vendor will have no rights in such Data except as explicitly granted in this Agreement.

b) For avoidance of doubt and for purposes of this Agreement, State-generated Input and the Output created therefrom shall constitute a subset of the State's Data and Vendor shall treat such Input and Output in accordance with all applicable security specifications, standards, requirements, and terms and conditions set forth in this Agreement. This includes, without limitation, implementing appropriate safeguards, access controls, and protective measures to ensure the confidentiality, integrity, and availability of the Input and Output, consistent with the obligations imposed on Vendor with respect to the State's Data.

c) **Permitted Use**: Vendor shall use State Data, Inputs and Outputs solely to perform its obligations under this Agreement and in confidence as provided herein. Vendor shall not disclose, share, store, or process such data for any other purpose without the State's prior written authorization.

d) **Retrieval Augmented Generation (RAG)**: Upon written authorization from the State, Vendor may use the State Data, Inputs and Outputs to populate tenant-isolated retrieval databases for RAG-based systems, provided that such data is not shared with, accessed by, or visible to any other Vendor customers, and is used solely for the benefit of the State and in furtherance of the purpose of this Agreement. Notwithstanding the foregoing, retrieval logs may be used for ranking optimizations solely as authorized in writing by the State and subject to de-identification, aggregation, retention limits and audit rights.

e) **Training:** Vendor is prohibited from using State Data, Inputs or Outputs as Training Data and will not permit any subcontractor or third-party to do so, unless expressly authorized in writing by the State. Any such use must be in a tenant-isolated environment, solely for the benefit of the State and in furtherance of the purpose of this Agreement, and subject to the Disgorgement obligations herein.

Notwithstanding the foregoing, Vendor may use the State Data, Inputs or Outputs as Training Data, provided (i) such data is deidentified so it cannot reasonably be reidentified, aggregated with data from other customers, and is used solely to improve the AI models or Services provided under this Agreement in compliance with applicable law and (ii) such use is approved in advance by the State Chief Information Officer or the using Agency.

f) **Segregation and Disgorgement**: Any model using State Data, Inputs, or Outputs as Training Data must be logically and physically segregated. Vendor will fully Disgorge and certify Disgorgement of all such models and associated training artifacts upon request or in accordance with termination requirements detailed in the NCDIT Terms and Conditions. This Disgorgement obligation does not apply to models trained solely on Inputs or Outputs in accordance with the safe harbor in subsection (e).

4) SUBCONTRACTORS:

Vendor remains fully responsible for the acts and omissions of all subcontractors and for ensuring that its subcontractors comply with all applicable terms of this Agreement. Vendor will maintain a current list of AI subcontractors and provide prior written notice before engaging or replacing any subcontractor that will provide AI functionality under this Agreement. If the State reasonably objects on security or compliance grounds, Vendor will promptly remove or replace the subcontractor or implement State-approved safeguards.

5) PERFORMANCE, BIAS AND OVERSIGHT:

a) Vendor will ensure the AI will perform materially in accordance with Vendor's documentation and applicable industry best practices for the relevant use case.

b) **AI Architecture**. If not included in the architectural diagram submitted at offer submission or provided upon request after contract award, upon the State's request, the Vendor shall disclose the type(s) of model(s) and/or network(s) used or to be used in the AI model. This requirement includes, but is not limited to, generative adversarial networks (GANs) and neural networks.

c) Vendor will employ documented processes consistent with industry best practices to detect and mitigate Hallucinations and Bias.

d) Vendor will maintain documentation sufficient to verify compliance with these AI Terms. The State shall have the right to audit the AI system, model, governance framework, configurations, logs, and data-flow documentation to the extent necessary to verify compliance with these AI Terms and Vendor will provide the State with reasonable access and assistance. Vendor will promptly remediate non-compliance at its cost.

e) AI shall not automatically determine eligibility, enforcement, or disciplinary actions; human validation is required for any such determinations.

6) AI INCIDENT MANAGEMENT AND REPORTING:

Vendor will maintain an AI-specific incident response plan to monitor for and respond to AI Incidents. Vendor will notify the State no later than 24 hours of confirmation of an AI Incident or within 72 hours of first awareness of indications reasonably likely to constitute an AI Incident, whichever occurs first. Vendor will, at its cost, promptly contain and remediate while maintaining service continuity. Upon request, Vendor will provide the State with a written report that includes: (i) the timeline and scope of the AI Incident; (ii) the affected systems or models; (iii) whether State Data, Inputs or Outputs were accessed or used in violation of this Agreement; and (iv) a root cause analysis including mitigations and recurrence-prevention measures. Vendor will cooperate with any audits and will assist the State with any required notifications to regulators or third parties and with responses to public records requests or other legally required disclosures related to the AI Incident. For avoidance of doubt, this Section supplements and does not limit any incident or breach notification obligations otherwise contained in the Agreement.

7) WARRANTIES:

a) Vendor warrants that:

i) Vendor has accurately disclosed all AI, including any embedded or third-party AI, that will be used to provide or be incorporated into any Software, Services or Deliverables provided pursuant to this Agreement;

ii) All AI complies with applicable laws, regulations and standards;

iii) Vendor has obtained all necessary consents, permissions, and licenses for use of any third-party data, materials, models, or other intellectual property used to perform under this Agreement;

iv) Vendor maintains and follows a documented AI risk management program and AI-specific incident response plan aligned to NIST AI RMF or ISO/IEC 42001. The risk management program and incident response plan must include testing, evaluation, validation, and ongoing monitoring appropriate to the use case. Upon request, Vendor will provide current summaries of evaluations, known limitations, and mitigation measures;

v) Vendor will ensure all AI complies with relevant State policies regarding the handling and security of State Data, including but not limited to, the State Security Standards and Policies and the Statewide Data Classification and Handling policy; and

vi) Vendor will remain responsible for all subcontractors and will flow down provisions and obligations that are at least as protective to the State as these AI Terms.

b) Remedies for breach of these warranty provisions are not exclusive and are in addition to all other rights and remedies available to the State under this Agreement, at law, or in equity.

8) AI INDEMNIFICATION AND SUPPLEMENTAL LIMITATION OF LIABILITY:

a) Without limiting or modifying any indemnification obligations, including those related to intellectual property infringement, personal injury, and tangible or intangible property damage, or any security or privacy obligations in this Agreement, Vendor shall additionally defend, indemnify, and hold harmless the State, its officials, employees, and agents, from any claim based on or arising out of:

(i) unauthorized access to, use, or disclosure of State Data, Inputs or Outputs by the AI provided, deployed, or integrated by Vendor or its agents, subcontractors, or third-party providers;

(ii) violation of applicable law by the AI;

(iii) any claim that the AI components, including but not limited to any AI Model(s), filters, guardrails, Training Data, Outputs, or other third-party materials incorporated into or used by the AI, infringe or misappropriate intellectual property rights, or

(iv) Vendor's material breach of these AI Terms.

b) Exclusions: Vendor will not be required to defend or indemnify the State if any claim by a third party against the State for infringement or misappropriation is the sole result of State-provided Inputs, or

unauthorized material modifications of any Vendor-branded AI if such claim would have been avoided absent the modifications.

c) **Supplemental Limitation of Liability**: The Limitation of Vendor's Liability in the NC DIT Terms and Conditions shall not apply to data privacy violations or intellectual property infringement defense obligations arising from AI provided under this Agreement. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, NOTHING IN THIS SECTION SHALL LIMIT THE Vendor's LIABILITY ARISING OUT OF VENDOR'S FRAUD, WILLFUL MISCONDUCT, OR LIABILITY WHICH CANNOT OTHERWISE BE LIMITED OR EXCLUDED UNDER APPLICABLE LAW.

9) CONFIDENTIALITY: Vendor shall ensure that the Deliverables, Services and Software whether provided through a third-party cloud ("Cloud Service Provider") or Vendor's AI environment ("Cloud AI Service Environment") maintain strict confidentiality and security of the State's Data. The State's Data shall be retained within a logically isolated cloud environment located in the United States and secured in compliance with the security requirements, standards, and obligations of this Agreement, and shall not contribute to the training of the Vendor's or the Cloud Service Provider's AI models, nor be utilized by any third party outside of the State's express approval in writing. Upon receipt of written notice from the State, Vendor shall promptly remove all State Data from the Cloud AI Service Environment in accordance with applicable data deletion protocols.

Section 3: Terms and Conditions Applicable to Personnel and Professional Services

2) SUBCONTRACTING: The Vendor may subcontract Professional Services only with the prior written consent of the State contracting authority. Vendor shall provide the State with complete copies of any agreements made by and between Vendor and all subcontractors. Vendor remains solely responsible for the performance of its subcontractors and shall indemnify the State for any claims by subcontractors. Subcontractors, if any, shall adhere to the same standards required of the selected Vendor and the Agreement. Any contracts made by the Vendor with a subcontractor shall include an affirmative statement that the State is an intended third party beneficiary of the Agreement; that the subcontractor has no agreement with the State; and that the State shall be indemnified by the Vendor for any claim presented by the subcontractor. Notwithstanding any other term herein, Vendor shall timely exercise its contractual remedies against any non-performing subcontractor and, when appropriate, substitute another subcontractor.

3) VENDOR'S REPRESENTATION: Vendor warrants that qualified personnel will provide Professional Services in a professional manner. "Professional manner" means that the personnel performing the Services will possess the skill and competence consistent with the prevailing business standards in the information technology industry. Vendor shall serve as the prime Vendor under the Agreement and shall be legally responsible for the performance and payment of any approved subcontractor(s). Vendor shall retain executive representation for functional and technical expertise as needed in order to ensure proper integration of subcontractor(s) work.

a) **Intellectual Property**. Vendor represents that it has the right to provide the Professional Services and other Deliverables without violating or infringing any law, rule, regulation, copyright, patent, trade secret or other proprietary right of any third party and that such Professional Services and other Deliverables are not the subject of any actual or threatened actions arising from, or alleged under, any intellectual property rights of any third party.

b) **Inherent Services**. If any Professional Services or other Deliverables, functions, or responsibilities not specifically described in the Agreement are required for Vendor's proper performance, provision and delivery of the Professional Services and other Deliverables pursuant to the Agreement, or are an inherent part of or necessary sub-task included within the Professional Services, they will be deemed to be implied by and included within the scope of the Agreement to the same extent and in the same manner as if specifically described in the Agreement.

c) Vendor warrants that it has the financial capacity to perform and to continue to perform its obligations under the Agreement; that Vendor has no constructive or actual knowledge of an actual or potential legal proceeding being brought against Vendor that could materially adversely affect performance of the Agreement; and that entering into the Agreement is not prohibited by any Contract, or order by any court of competent jurisdiction.

3) **SERVICES PROVIDED BY VENDOR:** Vendor shall provide the State with Professional Services as specified in a Statement of Work ("SOW") executed by the parties. This Agreement in combination with each SOW individually comprises a separate and independent contractual obligation from any other SOW. A breach by Vendor under one SOW will not be considered a breach under any other SOW. The Services intended hereunder are related to the State's implementation and/or use of one or more Software Deliverables licensed hereunder or in a separate software license agreement between the parties ("License Agreement").

4) **PERSONNEL:** Vendor shall not substitute key personnel assigned to the performance of the Agreement without prior written approval by the Agency Contract Administrator. The individuals designated as key personnel for purposes of the Agreement are those specified in the Vendor's offer. Any desired substitution shall be noticed to the Agency's Contract Administrator in writing accompanied by the names and references of Vendor's recommended substitute personnel. The Agency will approve or disapprove the requested substitution in a timely manner. The Agency may, in its sole discretion, terminate the services of any person providing Professional Services under the Agreement. Upon such termination, the Agency may request acceptable substitute personnel or terminate the Contract Services provided by such personnel.

   a) Unless otherwise expressly provided in the Agreement, Vendor will furnish all of its own necessary management, supervision, labor, facilities, furniture, computer and telecommunications equipment, software, supplies and materials necessary for the Vendor to provide and deliver the Professional Services and other Deliverables.

   b) Vendor personnel performing their duties on the premises of the State shall do so during the State's regular work days and normal work hours, except as otherwise, specifically agreed in the specifications, or statement of work.

   c) The Agreement shall not prevent Vendor or any of its personnel supplied under the Agreement from performing similar Professional Services elsewhere or restrict Vendor from using the personnel provided to the State, provided that:

      i) Such use does not conflict with the terms, specifications or any amendments to the Agreement, or

      ii) Such use does not conflict with any procurement law, regulation or policy, or

      iii) Such use does not conflict with any non-disclosure agreement, or term thereof, by and between the State and Vendor or Vendor's personnel.

   d) Unless otherwise provided by the Agency, the Vendor shall furnish all necessary personnel, Services, and otherwise perform all acts, duties and responsibilities necessary or incidental to the accomplishment of the tasks specified in the Agreement. The Vendor shall be legally and financially responsible for its personnel including, but not limited to, any deductions for social security and other withholding taxes required by state or federal law. The Vendor shall be solely responsible for acquiring any equipment, furniture, and office space not furnished by the State necessary for the Vendor to comply with the Agreement. The Vendor personnel shall comply with any applicable State facilities or other security rules and regulations.

5) **UNANTICIPATED TASKS:** In the event that additional work must be performed that was wholly unanticipated, and that is not specified in the Agreement or Statement of Work, but which in the opinion of both parties is necessary to the successful accomplishment of the contracted scope of work, the procedures outlined in this article will be followed. For each item of unanticipated work, the Vendor shall prepare a work authorization in accordance with the State's practices and procedures.

   f) It is understood and agreed by both parties that all of the terms and conditions of the Agreement shall remain in force with the inclusion of any work authorization. A work authorization shall not constitute a contract separate from the Agreement, nor in any manner amend or supersede any of the other terms or provisions of the Agreement or any amendment hereto.

   g) Each work authorization shall comprise a detailed statement of the purpose, objective, or goals to be undertaken by the Vendor, the job classification or approximate skill level or sets of the personnel required, an identification of all significant material then known to be developed by the Vendor's personnel as a Deliverable, an identification of all significant materials to be delivered by the State to the Vendor's personnel, an estimated time schedule for the provision of the Services by the Vendor, completion criteria for the work to be performed, the name or identification of Vendor's personnel to be assigned, the Vendor's estimated work hours required to accomplish the purpose, objective or

goals, the Vendor's billing rates and units billed, and the Vendor's total estimated cost of the work authorization.

h) All work authorizations must be submitted for review and approval by the procurement office that approved the original Contract and procurement. This submission and approval must be completed prior to execution of any work authorization documentation or performance thereunder. All work authorizations must be written and signed by the Vendor and the State prior to beginning work.

i) The State has the right to require the Vendor to stop or suspend performance under the "Stop Work" provision of the North Carolina Department of Information Technology Terms and Conditions.

j) The Vendor shall not expend Personnel resources at any cost to the State in excess of the estimated work hours unless this procedure is followed: If, during performance of the work, the Vendor determines that a work authorization to be performed under the Agreement cannot be accomplished within the estimated work hours, the Vendor will be required to complete the work authorization in full. Upon receipt of such notification, the State may:

a. Authorize the Vendor to expend the estimated additional work hours or service in excess of the original estimate necessary to accomplish the work authorization, or

b. Terminate the work authorization, or

c. Alter the scope of the work authorization in order to define tasks that can be accomplished within the remaining estimated work hours.

d. The State will notify the Vendor in writing of its election within seven (7) calendar days after receipt of the Vendor's notification. If notice of the election is given to proceed, the Vendor may expend the estimated additional work hours or Services.

6) STOP WORK ORDER: The State may issue a written Stop Work Order to Vendor for cause at any time requiring Vendor to suspend or stop all, or any part, of the performance due under the Agreement for a period up to ninety (90) days after the Stop Work Order is delivered to the Vendor. The ninety (90) day period may be extended for any further period for which the parties may agree.

e) The Stop Work Order shall be specifically identified as such and shall indicate that it is issued under this term. Upon receipt of the Stop Work Order, the Vendor shall immediately comply with its terms and take all reasonable steps to minimize incurring costs allocable to the work covered by the Stop Work Order during the period of work suspension or stoppage. Within a period of ninety (90) days after a Stop Work Order is delivered to Vendor, or within any extension of that period to which the parties agree, the State shall either:

i) Cancel the Stop Work Order, or

ii) Terminate the work covered by the Stop Work Order as provided for in the termination for default or the termination for convenience clause of the Agreement.

f) If a Stop Work Order issued under this clause is canceled or the period of the Stop Work Order or any extension thereof expires, the Vendor shall resume work. The State shall make an equitable adjustment in the delivery schedule, the Agreement price, or both, and the Agreement shall be modified, in writing, accordingly, if:

i) The Stop Work Order results in an increase in the time required for, or in the Vendor's cost properly allocable to the performance of any part of the Agreement, and

ii) The Vendor asserts its right to an equitable adjustment within thirty (30) days after the end of the period of work stoppage; provided that if the State decides the facts justify the action, the State may receive and act upon an offer submitted at any time before final payment under the Agreement.

g) If a Stop Work Order is not canceled and the work covered by the Stop Work Order is terminated in accordance with the provision entitled Termination for Convenience of the State, the State shall allow reasonable direct costs resulting from the Stop Work Order in arriving at the termination settlement.

h) The State shall not be liable to the Vendor for loss of profits because of a Stop Work Order issued under this term.

ATTACHMENT C: DESCRIPTION OF OFFEROR

Provide the information about the offeror.

Offeror's full name	
Offeror's address	
Offeror's telephone number	
Ownership	☐ Public ☐ Partnership ☐ Subsidiary ☐ Other (specify)
Date established	
If incorporated, State of incorporation.	
North Carolina Secretary of State Registration Number, if currently registered	
Number of full-time employees on January 1st for the last three years or for the duration that the Vendor has been in business, whichever is less.	
Offeror's Contact for Clarification of offer: Contact's name Title Email address and Telephone Number	
Offeror's Contact for Negotiation of offer: Contact's name Title Email address and Telephone Number	
If Contract is Awarded, Offeror's Contact for Contractual Issues: Contact's name Title Email address and Telephone Number	
If Contract is Awarded, Offeror's Contact for Technical Issues: Contact's name Title Email address and Telephone Number	

ATTACHMENT D: COST FORM

The Vendor must list, itemize, and describe any applicable offer costs which may include those in the matrix below:

Note: Vendors should imbed any potential Travel and Living costs for meetings into lump sum pricing below otherwise, standalone travel and living costs will be audited by the Agency and must be in accordance with state rates. See Section 5 of Attachment B for further details.

Also, shipping fees cannot be a standalone cost line item per the NCDIT Terms and Conditions. Shipping is to be FOB Destination. See Clause 27 of Attachment B for further details.

Use Case 1:

#	Milestone Event for Each Use Case	Deliverable for Each Use Case	Schedule (in weeks)	Payment
1	Project Initiation	• Kickoff Meeting • Project Management Plan • Data identification and preparation		0%
2	Requirement Discovery & Design	• Discovery workshops • Requirements Specification Document • Initial system architecture and workflow design		10%
3	Iterative Implementation & System Testing	• Functional evaluation based on use case • Basic UI for Authorized User evaluators • Initial process flow documentation • Test plans and issue logs		25%
4	UAT & Training	• UAT test plan and execution • End-user training sessions • Technical knowledge transfer • Final integrated solution		40%
5	Support	• Post-deployment support plan for 12 months • Stakeholder review and sign-off • Knowledge base		25%
			Total	100%
			Total Cost:	**$**

Use Case 2:

#	Milestone Event for Each Use Case	Deliverable for Each Use Case	Schedule (in weeks)	Payment
1	Project Initiation	• Kickoff Meeting • Project Management Plan • Data identification and preparation		0%

2	Requirement Discovery & Design	• Discovery workshops • Requirements Specification Document • Initial system architecture and workflow design		10%
3	Iterative Implementation & System Testing	• Functional evaluation based on use case • Basic UI for Authorized User evaluators • Initial process flow documentation • Test plans and issue logs		25%
4	UAT & Training	• UAT test plan and execution • End-user training sessions • Technical knowledge transfer • Final integrated solution		40%
5	Support	• Post-deployment support plan for 12 months • Stakeholder review and sign-off • Knowledge base		25%
			Total	100%
			Total Cost:	**$**

Use Case 3:

#	Milestone Event for Each Use Case	Deliverable for Each Use Case	Schedule (in weeks)	Payment
1	Project Initiation	• Kickoff Meeting • Project Management Plan • Data identification and preparation		0%
2	Requirement Discovery & Design	• Discovery workshops • Requirements Specification Document • Initial system architecture and workflow design		10%
3	Iterative Implementation & System Testing	• Functional evaluation based on use case • Basic UI for Authorized User evaluators • Initial process flow documentation • Test plans and issue logs		25%
4	UAT & Training	• UAT test plan and execution • End-user training sessions • Technical knowledge transfer • Final integrated solution		40%
5	Support	• Post-deployment support plan for 12 months		25%

		• Stakeholder review and sign-off • Knowledge base		
			Total	100%
			Total Cost:	**$**

Use Case 4:

#	Milestone Event for Each Use Case	Deliverable for Each Use Case	Schedule (in weeks)	Payment
1	Project Initiation	• Kickoff Meeting • Project Management Plan • Data identification and preparation		0%
2	Requirement Discovery & Design	• Discovery workshops • Requirements Specification Document • Initial system architecture and workflow design		10%
3	Iterative Implementation & System Testing	• Functional evaluation based on use case • Basic UI for Authorized User evaluators • Initial process flow documentation • Test plans and issue logs		25%
4	UAT & Training	• UAT test plan and execution • End-user training sessions • Technical knowledge transfer • Final integrated solution		40%
5	Support	• Post-deployment support plan for 12 months • Stakeholder review and sign-off • Knowledge base		25%
			Total	100%
			Total Cost:	**$**

ATTACHMENT E: VENDOR CERTIFICATION FORM

1) ELIGIBLE VENDOR

The Vendor certifies that in accordance with N.C.G.S. §143-59.1(b), Vendor is not an ineligible vendor as set forth in N.C.G.S. §143-59.1 (a).

The Vendor acknowledges that, to the extent the awarded contract involves the creation, research, investigation or generation of a future RFP or other solicitation; the Vendor will be precluded from bidding on the subsequent RFP or other solicitation and from serving as a subcontractor to an awarded vendor.

The State reserves the right to disqualify any bidder if the State determines that the bidder has used its position (whether as an incumbent Vendor, or as a subcontractor hired to assist with the RFP development, or as a Vendor offering free assistance) to gain a competitive advantage on the RFP or other solicitation.

2) CONFLICT OF INTEREST

Applicable standards may include: N.C.G.S. §§143B-1352 and 143B-1353, 14-234, and 133-32. The Vendor shall not knowingly employ, during the period of the Agreement, nor in the preparation of any response to this solicitation, any personnel who are, or have been, employed by a Vendor also in the employ of the State and who are providing Services involving, or similar to, the scope and nature of this solicitation or the resulting contract.

3) E-VERIFY

Pursuant to N.C.G.S. § 143B-1350(k), the State shall not enter into a contract unless the awarded Vendor and each of its subcontractors comply with the E-Verify requirements of N.C.G.S. Chapter 64, Article 2. Vendors are directed to review the foregoing laws. Vendors claiming exceptions or exclusions under Chapter 64 must identify the legal basis for such claims and certify compliance with federal law regarding registration of aliens including 8 USC 1373 and 8 USC 1324a. Any awarded Vendor must submit a certification of compliance with E-Verify to the awarding agency, and on a periodic basis thereafter as may be required by the State.

4) CERTIFICATE TO TRANSACT BUSINESS IN NORTH CAROLINA

As a condition of contract award, awarded Vendor shall have registered its business with the North Carolina Secretary of State and shall maintain such registration throughout the term of the Contract.

Signature: _____ Date:

Printed Name: _____ Title:

ATTACHMENT F: LOCATION OF WORKERS UTILIZED BY VENDOR - DISCLOSURE STATEMENT

In accordance with the Statewide Information Security Manual (SISM), the State restricts the location of information systems that receive, process, store, or transmit State and Federal data to the United States which includes the following areas: US States, US Territories, US Embassies, and US Military installations (stateside or overseas). This restriction applies to the Vendor and to any subcontractors engaged to provide Services under this Agreement or with access to State Data. The Vendor must ensure that its subcontractor agreements contain the same restrictions and will be responsible for monitoring and enforcing subcontractor compliance at all times.

Pursuant to N.C.G.S. §143B-1361(b), the Vendor must complete and return this Disclosure Statement Attachment F with its solicitation response. The Vendor may attach additional pages to its response if needed. The State of North Carolina will evaluate Disclosure Statement Attachments for additional risks, costs, and other factors associated with its service prior to making an award for any such Vendor's offer. The Vendor must provide the following information in its bid response:

Vendor to complete a.-e. in their offer:

a. The location of work performed under a state contract by the Vendor, any subcontractors, employees, or other persons performing the contract and whether any of this work will be performed outside the United States.

   Vendor to enter text here to answer this disclosure question:

b. The corporate structure and location of corporate employees and activities of the Vendor, its affiliates or any other subcontractors.

   Vendor to enter text here to answer this disclosure question:

c. Vendor agrees to provide notice of the relocation of the Vendor, employees of the Vendor, subcontractors of the Vendor, or other persons performing Services under a state contract outside of the United States in the event such relocation occurs during the contract term.

   Does Vendor agree to provide notice as defined above? ☐ YES ☐ NO

d. Vendor agrees that any Vendor or subcontractor providing call or contact center Services to the State of North Carolina shall disclose to inbound callers the location from which the call or contact center Services are being provided.

   Does Vendor agree to provide disclosure as defined above? ☐ YES ☐ NO

e. Will any work under this contract be performed outside the United States? ☐ YES ☐ NO

The use of resources or workers located outside the United States is a critical security exception that must be escalated to the State Chief Information Officer for review pursuant to N.C.G.S. §143B-1376(c) and §143B-1320(c). These critical security exceptions are approved only in rare and extenuating circumstances. Vendor should account for this when preparing its response.

ATTACHMENT G: REFERENCES

The Vendor must provide with this offer at least one reference of customers utilizing the proposed solution fully implemented in a setting similar to this solicitation's scope of work (See Section 3.4.3). References within State-like government agencies are encouraged.

The Vendor should have implemented the respective proposed service within the last three (3) years. Customer references whose business processes and data needs are similar to those performed by the Agency needing this solution in terms of functionality, complexity, and transaction volume are encouraged.

For each reference, the Vendor shall provide the following information:

a. Customer name.
b. Customer address.
c. Current telephone number of a customer employee most familiar with the offered solution implementation.
d. Customer email address
e. Time period over which each offered solution implementation was completed.
f. Brief summary of the offered solution implementation.
g. List of offered solution products installed and operational.
h. Number of vendor or technical staff supporting, maintaining and managing the offered solution
i. Number of end users supported by the offered solution.
j. Number of sites supported by the offered solution.

ATTACHMENT H: FINANCIAL REVIEW FORM

Vendor shall review the Financial Review Form, provide responses in the gray-shaded boxes, and submit the completed Form as an Excel file with its offer. Vendor shall not add or delete rows or columns in the Form, or change the order of the rows or column in the file.

1. Vendor Name:

2. Company structure for tax purposes (C Corp, S Corp, LLC, LLP, etc.):

3. Have you been in business for more than three years? ☐ Yes ☐ No

4. Have you filed for bankruptcy in the past three years? ☐ Yes ☐ No

5. In the past three years, has your auditor issued any notification letters addressing significant issues? If yes, please explain and provide a copy of the notification letters. ☐ Yes ☐ No

6. Are the financial figures below based on audited financial statements? ☐ Yes ☐ No

7. Start Date of financial statements:

   End Date of financial statements:

8. Provide a link to annual reports with financial statements and management discussion for the past three complete fiscal years:

9. Provide the following information for the past three complete fiscal years:

ATTACHMENT I: USE CASE SCENARIO REQUIREMENTS AND SPECIFICATIONS

Summary: The scope of this RFP encompasses the design, development/configuration, testing, and implementation of AI-driven software solutions to fulfill one (1) or more of the four (4) Use Cases described in Section II. For each Use Case, NCDEQ has defined core functional requirements and performance objectives, as detailed below, requirements in this Section fall into three tiers, defined in the table below. Each requirement is tagged with its tier. Deliverables are tagged Core Deliverable or Desirable Deliverable and are treated the same way as Core Functionality and Desirable Functionality. Unless designated a Mandatory Requirement, items describe outcomes NCDEQ seeks rather than a required design. Offerors should address all Mandatory Requirements and Core Functionality for any use case they propose, and may address Desirable Functionality or propose additional functionality. Offerors may propose an alternative approach to any Core Functionality or Desirable Functionality item, with a rationale, without being deemed nonresponsive. Vendors should clearly delineate which use case(s) are included in their proposal and provide separate technical approaches and pricing for each, as well as any combined solution benefits if proposing for multiple use cases. Vendors with already developed products related to the use cases should include features currently available and any additional enhancements proposed for NC.

Tier	What it is	If not met	How it is evaluated
Mandatory Requirement	Required by S.L. 2026-41, Section 12.23, or by State law or policy (e.g., security, accessibility, human review of AI outputs).	Proposal is nonresponsive and is not evaluated further.	Pass/fail, checked before scoring.
Core Functionality	What the pilot must demonstrate to be worth scaling.	Scored; Proposal is still evaluated but scores lower. Alternative approaches may be proposed.	Scored; carries the most weight under Technical Solution.
Desirable Functionality	Added value beyond the pilot's core purpose.	Scored; Little or no reduction in score.	Scored; earns additional credit.

Use Case 1: Permit Application Completeness Check

Objective: Develop and implement an AI-based solution, that can ingest real NCDEQ permit applications in a pilot environment and provide application completeness feedback to applicants while they are drafting an application and to NCDEQ staff after an application has been submitted, producing completeness check results as described above. The tool will support multiple NCDEQ permitting programs, including air quality, water resources, waste management, and others, and integrate with the Department’s permit intake processes. The solution must enable NCDEQ to onboard additional permitting programs without significant custom software development, supports program-specific completeness requirements and workflows, exposes standards-based APIs for integration with current and future NCDEQ systems, and demonstrates the ability to scale from a pilot implementation to department-wide deployment while maintaining performance, security, reliability, and maintainability. Deliverables shall include documentation and administrative tools that allow

NCDEQ staff to modify completeness-check rules, forms, validation criteria, and program-specific requirements with minimal vendor support.

Key Functional Requirements: The proposed solution must at minimum:

- **[Mandatory Functionality] Automated Completeness Validation:** Ingest permit application packages (including structured form data and attached documents, which may be in PDF, Word, or other formats including images) and evaluate each submission according to the specific permit type's statutory and regulatory requirements and ensure that the uploaded documents are supportive of the information entered in forms. The tool should also confirm that the permit type selected is the proper permit for the project or provide alternative if not.
- **[Desirable Functionality] Rule/Policy Citation Checking:** Validate that any statutory citations are accurate and up to date. The tool should flag any cited requirements that are out-of-date, incorrect, or not applicable, so that staff can easily identify potential errors or misinformation in the application.
- **[Desirable Functionality] Categorization for Routing:** Analyze the content and completeness of each application to assign a preliminary categorization regarding the completeness and complexity of the application. The AI tool should apply criteria consistently: for instance, flagging missing or substandard sections as indicators of an "incomplete" application, or detecting certain project keywords/thresholds that indicate a "complex" review (which might need senior staff or additional scrutiny).
- **[Desirable Functionality] Notification and Workflow Integration:** Interface with NCDEQ's existing permit management system to automatically initiate appropriate workflows based on AI's determination. For example:
    - If an application is deemed complete and routine, the tool could automatically route it to an available permit reviewer for standard processing.
    - If incomplete, draft a notice to the applicant listing missing or deficient items, for staff review and confirmation before it is sent, and flag the application for staff follow-up.
    - If complex, route the application to a specialized review queue or further assessment.

  The exact integration approach will depend on NCDEQ's system capabilities (the vendor may propose interim solutions if full integration with existing systems is not feasible, e.g., a standalone tool that produces a report or dashboard for staff).
- **[Mandatory Functionality] Accuracy and Improvement:** AI should achieve a high degree of accuracy in identifying errors or omissions in applications. Proposals should estimate expected accuracy or recall/precision rates for both administrative and technical completeness checking.
    - Examples of administrative completeness include, but are not limited to:
        - All mandatory forms are fully filled out and signed by an authorized contact or responsible corporate official.
        - The appropriate permit fee paid in full.
        - General facility information, such as valid contact information, site name, and physical address.
        - Required secondary documentation, which may include a local zoning consistency determination, property deeds, or basic plot maps.
    - Examples of technical completeness include, but are not limited to:
        - Engineering designs and specifications for treatment systems or containment structures.
        - Scientific modeling, such as air dispersion modeling or stream flow verification, to ensure environmental thresholds are not crossed.

        - Impact assessments, including onsite/offsite alternatives analysis to verify that impacts on resources (like surface waters or air quality) are avoided or minimized to the maximum extent practicable.
    - Certifications and seals signed by a registered Professional Engineer (P.E.) confirming technical accuracy.
- **[Mandatory Requirement]** The tool must allow for human to review and override – e.g., staff should be able to see the AI's findings, provide corrections or additional inputs, and the proposal should describe how staff feedback is used to improve performance over time and how any resulting model or rule changes are validated and approved by NCDEQ before use.
- **[Mandatory Requirement] User Interface and Reporting:** Provide a user-friendly interface for both applicants to use as they are drafting applications, and for permit staff after an application is submitted. The interface should display each application's status (complete/needs info/complex) along with a checklist of missing items or detected issues. It must allow users to drill down into the application materials and view why specific items were flagged (for transparency and QA). The tool should log outcomes (e.g., number and type of deficiencies found per application) to support reporting performance improvements, such as reduction in average processing times or decrease in incomplete applications over time (baseline metrics will be established during Phase 1; offerors should propose performance measures and targets, and acceptance thresholds will be agreed jointly).
- **[Mandatory Requirement] Security and Compliance:** If handling potentially sensitive applicant data, the solution must adhere to State IT security standards (see Section VII). All data processing (including any machine learning model training on application data) should protect confidential business information and personally identifiable information (PII) in accordance with State and federal law.

Deliverables for Use Case 1 shall include, but are not limited to:

- **[Core Deliverable] Completeness Check AI Tool:** A complete software solution, deployed as a web-based application or integrated within NCDEQ systems, that can ingest real NCDEQ permit applications in a pilot environment and provide application completeness feedback to applicants while they are drafting an application and to NCDEQ staff after an application has been submitted, producing completeness check results as described above.
- **[Core Deliverable] Configuration of Permit Requirements:** Collaboration with NCDEQ subject-matter experts to define the permit-specific requirements (rules, checklists, data validation rules, etc.) for at least 2–3 priority permit types (to be determined during project kickoff).
- **[Core Deliverable] Testing and Validation:** A testing plan and test results demonstrating the AI's performance (accuracy of identifying missing items, correct classification of application complexity, etc.) using historical permit applications and/or synthetic test data. The vendor should plan iterative testing with NCDEQ staff feedback to refine the model or rules.
- **[Core Deliverable] User Training and Documentation:** Training materials and session(s) for NCDEQ permit staff and administrators on how to use and maintain the tool (e.g., how to review AI findings, provide feedback, update checklists or training data). Complete user guides and technical documentation must be delivered.
- **[Core Deliverable] Maintenance and Support Plan:** A plan for ongoing support, including how the tool will be monitored, how issues will be addressed, and how improvements/learning will be captured (e.g., model retraining approach).

Use Case 2: Public Comments Summary

Objective: Develop and implement an AI-based solution to assist NCDEQ in processing large volumes of public comments received during permit proceedings, rulemakings, and public hearings. This solution will improve the efficiency of reviewing public input and help distill key insights for decision makers and regulatory records.

Key Functional Requirements: The proposed solution must at minimum:

- **[Mandatory Functionality] Multi-Source Ingestion:** Accept and process public comment submissions from multiple channels and in various formats. This includes written comments submitted via email or web forms, PDF/scanned letters, and transcripts of oral comments from public hearings or meetings. The tool should be capable of text recognition (OCR) for scanned documents and speech-to-text transcription for audio recordings of comments, as needed, to create a searchable text corpus of all received input. Ingestion of typed and scanned hand written comments, with traceability, is Core; handwritten, audio, image, and map inputs are Desirable for the pilot.
- **[Core Functionality] Natural Language Processing and Summarization:** Utilize NLP techniques to analyze the corpus of public comments and automatically categorize comments by theme, sentiment, and key issues raised (for example, grouping similar concerns or recommendations together). The tool should generate summaries that highlight the main points, frequently mentioned issues, common questions or concerns, and general sentiment (support, opposition, specific topics of interest) present in the comments. Summaries should be available at multiple levels of detail (e.g., an executive summary of all comments, as well as breakdowns by category or stakeholder group).
- **[Core Functionality] Traceability and Transparency:** For each summary or identified theme, the tool must provide a mechanism to trace back to the original comments that contributed to that summary protecting the author's identity. For example, if the AI groups several comments under the theme "water quality impacts," users should be able to click and see the list of specific comments (or excerpts) that pertain to that theme. This ensures transparency and accountability, allowing NCDEQ staff (and potentially the public) to verify how the AI-derived summary corresponds to actual comments.
- **[Mandatory Requirement] User Interface for Review and Editing:** Provide an interface for NCDEQ staff to review AI-generated categorizations and summaries. Staff must be able to easily review, verify, and adjust the summary outputs as needed. The tool should allow users to flag misclassified comments, correct errors in summaries, and add any important points the AI might have missed. The proposal should describe how these human inputs are used to improve future analyses and how resulting changes are validated before use.
- **[Core Functionality] Volume Handling and Performance:** The solution should scale to handle large public comment intakes – potentially thousands of comments per public notice or hearing – without significant degradation in processing time. The tool should produce initial summary results within a reasonable timeframe (e.g., within hours) after the closing of a comment period or hearing. Proposals should specify expected processing capacity and performance benchmarks.
- **[Core Functionality] Integration and Output:** The tool may be a standalone application or integrated into NCDEQ's existing content management or permit system. In either case, it should be capable of accepting data from NCDEQ's public comment channels. It should produce output that can be easily incorporated into public records and official response documents. For instance, generating a draft public comment summary report that could be included in permit decision documents or briefing materials for decision makers.
- **[Mandatory Requirement] Compliance and Data Security:** The tool must ensure that private personal information (e.g., email addresses or phone numbers of commenters) is handled in

compliance with NC privacy laws and redaction policies before any summary is published. Additionally, as with all solutions, it must meet State IT security requirements (Section VII) for data handling.

Deliverables for Use Case 2 shall include, but are not limited to:

- **[Core Deliverable] Public Comments AI Analysis Tool (Pilot Deployment):** A functioning software solution (hosted or on premises) that can intake and analyze a batch of public comments related to a NCDEQ permit (for example, comments from a recent high-profile permit decision or rule proposal) and produce aggregated summaries and thematic analysis as described.
- **[Core Deliverable] Taxonomy and Configuration Documentation:** A defined schema or taxonomy for categorizing comment themes, tailored to NCDEQ's regulatory topics. The vendor should work with NCDEQ's Public Affairs/Public Engagement staff to develop this schema (e.g., categories of concerns such as air quality, water quality, health impacts, economic impacts, etc., based on the content of comments). Provide documentation on how the AI model was trained or configured for this domain (for transparency and future retraining by NCDEQ).
- **[Core Deliverable] Testing and Validation Results:** A report on the accuracy and effectiveness of the tool, including examples of AI-generated summaries compared to human-generated summaries for the same set of comments. The vendor should conduct at least one trial run of the tool using a historical set of public comments (provided by NCDEQ) to evaluate performance. Metrics such as clustering accuracy, relevance of summaries, and stakeholder feedback on summary quality should be captured.
- **[Core Deliverable] User Training and Guidelines:** Training sessions for NCDEQ staff who will use and maintain the tool, including how to interpret AI outputs and correct them if necessary. Provide user manuals and administrative guides.
- **[Core Deliverable] Maintenance and Support Plan:** A plan for supporting the tool during the pilot period (e.g., handling technical issues, minor tweaks to improve accuracy, and assisting with additional comment datasets as needed).

Use Case 3: Permit Assistance

Objective: Develop and implement an AI-based solution that helps applicants identify applicable permits, registrations, notifications, approvals, and compliance obligations based on project-specific information. The solution shall provide guidance throughout the permitting lifecycle, including permit identification, application preparation, submission requirements, fees, renewals, modifications, transfers, and related regulatory processes. The tool shall provide advisory guidance only and shall not constitute regulatory determination, permit decision, or legal opinion.

Key Functional Requirements: The proposed solution must, at minimum:

- **[Mandatory Functionality] Permit Identification and Recommendation:** Accept project information through a guided questionnaire, conversational interface, structured forms, or a combination thereof. Evaluate project characteristics and identify potentially applicable permits, registrations, notifications, certifications, and approvals. Provide recommendations across relevant NCDEQ permitting programs. Where applicable, identify related permitting requirements administered by other states, local, or federal agencies. Clearly distinguish between informational guidance and regulatory requirements.
- **[Desirable Functionality] Interactive Permit Guidance:** Provide a conversational interface that allows users to ask permitting-related questions using natural language. Answer common questions regarding permit applicability, permitting processes, required documentation, fees, timelines, renewals, modifications, and transfers. Support follow-up questions and progressively refine recommendations as

additional project information is provided. Provide guidance in plain language and appropriate for both technical and non-technical users.

- **[Core Functionality] Regulatory and Resource Navigation:** Direct users to applicable agency websites, permit application forms, guidance documents, fact sheets, instructions, and other approved resources. Provide links and references to authoritative sources supporting recommendations whenever possible. Identify program contacts or support resources when additional assistance may be needed.
- **[Core Functionality] Application Readiness Support:** Provide applicants with information regarding submission requirements, supporting documentation, maps, plans, studies, certifications, and other materials commonly required for permit applications. Generate project-specific checklists to help applicants prepare complete submissions. Identify potential information gaps based on user-provided project details. Assist users in understanding common reasons applications may be delayed or returned for additional information.
- **[Desirable Functionality] Personalized User Experience:** Maintain context throughout a user session to provide increasingly relevant guidance. Support multiple permitting scenarios and project types. Provide consistent recommendations for similar project conditions. Allow users to save, print, download, or export guidance summaries and checklists.
- **[Core Functionality] Transparency and Explainability:** Provide explanations describing why particular permits, approvals, or requirements are being recommended. Display references to applicable statutes, regulations, guidance documents, or permitting resources where available. Clearly indicate confidence levels, assumptions, and limitations associated with recommendations. Inform users when sufficient information is not available to make a recommendation.
- **[Core Functionality] Human Assistance and Escalation:** Provide mechanisms for directing users to NCDEQ staff, program contacts, or other support channels when questions exceed the capabilities of the AI tool. Identify situations requiring direct interaction with agency personnel. Allow users to provide feedback regarding recommendation accuracy and usefulness.
- **[Mandatory Requirement] Accessibility and User Experience:** Comply with applicable accessibility requirements.
- **[Core Functionality] Integration and Data Management:** Integrate with NCDEQ websites, permitting portals, or other approved systems as determined during implementation. Maintain appropriate audit logs of user interactions and recommendation outputs. Support future expansion to additional permitting programs and regulatory domains.
- **[Mandatory Requirement] Security and Compliance:** Comply with State cybersecurity requirements and all applicable privacy standards. Protect sensitive information that may be submitted by users. Ensure appropriate handling of personally identifiable information (PII). Maintain safeguards against unauthorized access, disclosure, or misuse of data.

Deliverables for Use Case 3: The deliverables shall include, but are not limited to:

- **[Core Deliverable] Permit Assistance AI Solution (Pilot Deployment):** A functioning software solution capable of providing permit guidance for selected NCDEQ permitting programs. Deployment in a pilot environment using approved NCDEQ data sources and content.
- **[Core Deliverable] Knowledge Base Configuration:** Configuration of permitting content, guidance documents, FAQs, business rules, and agency resources needed to support recommendations. Collaboration with NCDEQ subject matter experts to validate content accuracy.

- **[Core Deliverable] User Experience Design:** Applicant-facing interface design and implementation. Guided questionnaire and conversational assistance capabilities. Permit recommendation summaries and applicant checklists.
- **[Core Deliverable] Testing and Validation:** Testing plan and results demonstrating recommendation accuracy, usability, and overall tool performance. Validation using representative permitting scenarios and user testing sessions.
- **[Core Deliverable] Training and Documentation:** User guides, administrator guides, and technical documentation. Training sessions for designated NCDEQ personnel. Documentation describing configuration, content management, and maintenance procedures.
- **[Core Deliverable] Performance and Analytics Reporting:** Reporting on the tool usage, question types, recommendation outcomes, and user feedback. Recommended metrics for measuring customer service improvements and reduction in incomplete applications.
- **[Core Deliverable] Maintenance and Support Plan:** Pilot support approach, Issue resolution procedures**.** Content update process. Knowledge-base maintenance strategy, Continuous improvement and enhancement recommendations.

Use Case 4: Site Permit History Compilation

Objective: Develop and implement an AI-based solution to rapidly compile a comprehensive permit and compliance history for a specific site or facility across multiple data sources. Key capabilities include:

- **[Core Functionality] Federated Search and Data Aggregation:** The solution should be able to interface with or ingest data from various NCDEQ repositories and systems where relevant site-based information resides. This may include permit tracking systems (e.g., Division-specific databases or the new Access DEQ system), inspection and enforcement databases, electronic document management systems (e.g., Laserfiche or SharePoint), email archives, and potentially scanned legacy files. The vendor will be expected to work with NCDEQ IT staff to understand the data sources and access methods (APIs, database connections, etc.) for each system. The data sources in scope for the pilot will be selected during Phase 1 with NCDEQ IT staff.
- **[Core Functionality] Entity Resolution and Correlation:** Using site identifiers (facility IDs, site names/addresses, permit numbers, etc.), the solution should pull related records from the different systems and determine which records pertain to the same facility or location. The solution must intelligently account for variations in naming or identifying information (for instance, “Acme Chemical Inc.” vs “Acme Chemical Company” might refer to the same site, as could an address or permit number match).
- **[Core Functionality] Chronological History Generation:** The tool will compile the aggregated data into a chronological timeline or structured summary of the site’s regulatory history. For the data sources in pilot scope, this history should include permits issued (with dates and key details), inspection dates and findings, violations or enforcement actions taken (notices of violation, consent orders, and penalties), and any major related events (e.g., remediation activities, public complaints, permit appeals). Each entry in history should be annotated with its source (e.g., which database or document it came from) and, if possible, a direct link to the original record or document, to ensure traceability and transparency of information.
- **[Core Functionality] User Interface and Query Capability:** Provide an intuitive interface where users can input a facility name, permit number, site address or other identifier and receive the compiled permit history. The interface should allow filtering or searching within the compiled history (e.g., show me all air quality permits for this site, or all enforcement actions in the past 10 years). The information

should be exportable (e.g., as a report or PDF) for use in official documents or responses to public inquiries.

- **[Core Functionality] Maintenance and Updates:** Once deployed, the solution should be able to update a site's history continuously or on demand. For example, if a new permit or enforcement action is issued, the tool should allow for adding that information to history. The proposal should describe how the solution will stay up to date (e.g., through periodic re-execution of the data gathering process, event-driven updates from source systems, etc.).
- **[Mandatory Requirement] Privacy and Security:** If the tool accesses confidential or sensitive data (e.g., internal enforcement files or personal data in permit applications), it must enforce access controls and user permissions in line with NCDEQ's policies. Only authorized users should be able to retrieve certain classes of records. All data integration must comply with State security standards (Section VII).

Deliverables for Use Case 4 shall include, but are not limited to:

- **[Core Deliverable] Software Solution:** A functioning software tool capable of compiling and presenting a comprehensive permitting, compliance, inspection, enforcement, and regulatory history for selected facilities or sites using approved NCDEQ data sources. Deployment shall be completed in a pilot environment accessible to authorized NCDEQ personnel.
- **[Core Deliverable] Historical Timeline and Reporting Functionality:** Development of chronological site-history views, summary reports, visual timelines, and export capabilities. Reports shall identify key permitting and compliance milestones and provide traceability to originating records and data sources.
- **[Core Deliverable] Sourcing:** Source inventory, data lineage documentation, and processes used to associate records across systems. Describe matching methodologies, confidence scoring, and procedures for resolving ambiguous records.
- **[Core Deliverable] Testing and Validation:** A testing plan and results demonstrating the solution's ability to accurately retrieve, correlate, and summarize information across multiple systems. Validation shall include representative NCDEQ facility records, user acceptance testing, and measurement of accuracy, completeness, and performance.
- **[Core Deliverable] Training and Documentation:** User guides, administrator guides, technical documentation, data source documentation, and operational procedures. Training sessions shall be provided for designated NCDEQ staff responsible for the tool use, administration, and maintenance.
- **[Core Deliverable] Performance Metrics and Analytics Reporting:** Reporting on pilot usage, search performance, record matching accuracy, compilation times, and user feedback. The vendor shall recommend performance measures for evaluating reductions in manual research effort, improvements in completeness of site histories, and improvements in staff efficiency.
- **[Core Deliverable] Maintenance and Support Plan:** Pilot support approach, issue resolution procedures, data refresh/update process, monitoring capabilities, and recommendations for future expansion across additional NCDEQ divisions, programs, and data sources.

PROJECT MANAGEMENT AND IMPLEMENTATION OF USE CASES

Project Phases: It is expected that each awarded project (aka Use Case) will follow a phased implementation approach to maximize success: Each project will include go/no-go decision gates at the end of Phase 1 and at the end of the Phase 3 pilot, at which NCDEQ may stop, continue, adjust, or expand the project. Within Phases 2 and 3, work should proceed iteratively, with working increments demonstrated to NCDEQ staff at regular intervals.

- **Phase 1 – Planning and Design:** Immediately upon award, the vendor will engage with NCDEQ and NCDIT stakeholders to refine requirements, confirm project scope, and develop a detailed project plan

and design. This includes establishing a prioritized product backlog for the AI solution (rather than fixed functional specifications), integration approach, success metrics, and a timeline for pilot implementation. The vendor shall conduct requirement workshops with NCDEQ's subject matter experts (e.g., permit program staff, public affairs staff, IT representatives) to gather detailed rules, data sources, and acceptance criteria for the solution. Deliverables from Phase 1 will include a comprehensive Project Plan, a Solution Design/Technical Architecture document, and a prioritized product backlog with success metrics traceable to the outcomes in this RFP.

- **Phase 2 – Solution Development and Configuration:** The vendor will configure or develop the AI solution according to the approved design. This may involve setting up AI models or rules, training machine learning algorithms on NCDEQ data (if applicable), configuring integrations (e.g., with permit management systems or data sources), and developing user interface components. Regular update meetings (e.g., bi-weekly) will be held to demonstrate progress. NCDEQ may require intermediate demonstrations or prototypes, especially for critical functionalities like the completeness checking mechanism or comment summarization outputs, to gather feedback and ensure the solution meets expectations.
- **Phase 3 – Testing and Pilot Deployment:** The vendor will conduct thorough testing, including unit testing, the tool integration testing, and user acceptance testing (UAT) with NCDEQ staff. For each use case, the vendor is expected to deploy a pilot implementation (at least in a limited production or staging environment) that processes real-world data. For example, the completeness check solution might be run in parallel with the current permit application process for a set period (without replacing the current process initially) to evaluate performance and accuracy. Similarly, the public comment summarization tool might be tested on a recent actual comment period. The vendor will work with NCDEQ to evaluate pilot results against the defined success metrics (e.g., increase in first-time complete applications, reduced staff hours per comment period, etc.) and refine the solution as needed.
- **Phase 4 – Training, Knowledge Transfer, and Go-Live:** Upon a go decision at the post-pilot gate, the solution will be rolled out for official use. The vendor will support NCDEQ in production deployment and provide training to end-users and administrators. Knowledge transfer is critical – the vendor must ensure NCDEQ staff are equipped to operate, maintain, and adjust the AI solution after the pilot (with optional continued vendor support as negotiated). Go-live will include finalizing user documentation, configuring monitoring/logging for AI operations, and establishing helpdesk support procedures during an initial operations period.

TIMELINE: The Contractor shall provide a comprehensive implementation timeline for all project phases. The timeline shall be submitted to NCDEQ for review and approval following contract award and project kickoff. Any subsequent modifications to the approved schedule must be reviewed and approved by NCDEQ through the project's change management process.

1. **Cost Proposal** – Provide detailed pricing for your solution. The cost proposal must be separate from the technical proposal (e.g., in a separate section or file) and clearly labeled. The pricing should cover all costs for the design, implementation, and pilot deployment of the proposed solution for the initial phase:
    - If proposing for a single use case, provide the total fixed-price cost for that project, broken down by milestones tied to working increments or measured pilot results, with payment tied to acceptance. Subscription (SaaS) pricing for the pilot term may be proposed. Time-and-materials pricing with a not-to-exceed cap may be proposed as an alternative if it aligns better with the project approach, but a detailed cost breakdown (hourly rates, anticipated hours per task, and any other expenses) is required.

- All pricing must be fully burdened and include all necessary costs to deliver the solution (software licensing, hosting, AI usage, development/configuration, testing, training, documentation, support during the pilot period, etc.) The State does not guarantee any minimum award. Cost efficiency will be a factor in the evaluation (see Section VIII). Proposals will be evaluated on overall value and feasibility to achieve the project goals within budget.

Note: NCDEQ expects to conduct oral presentations and product demonstrations with shortlisted vendors before final selection, which may include a hands-on demonstration using redacted NCDEQ sample applications or comments. If held, these presentations will allow vendors to demonstrate user interfaces, AI capabilities (e.g., a demo of a similar tool), and answer questions. The results of oral presentations may be incorporated into the above evaluation criteria (e.g. adjusting scores based on clarity of presentation or functional demonstrations). Oral presentations and product demonstrations may be held in Raleigh, NC at NCDEQ discretion.

AI SPECIFICATIONS

1. Use of Artificial Intelligence

The transparent, secure, responsible, and ethical deployment of AI is essential to ensuring accountability and the protection of civil liberties in government operations and decision-making. The Vendor is fully and solely responsible and liable for and must disclose the use of Artificial Intelligence (AI) technologies within the proposed product, service, and performance. These AI technologies include, but are not limited to Machine Learning, Natural Language Processing (NLP), Generative AI (GenAI), Predictive Analytics (Predictive AI), Assistive AI, Conversational AI, and Computer Vision.

Any use of AI in the performance of the contract shall be implemented in compliance with the North Carolina State Government Responsible Use of Artificial Intelligence Framework.

If AI is being used, the Vendor's proposal shall include a section which specifically identifies how security and privacy are addressed within the AI portions of the application. Minimally, this section shall include the following:

- The purpose and scope of AI's use
- How the AI will be implemented in a manner that is compliant with the seven principles and practices identified in Framework for Responsible Use of Artificial Intelligence
- How the Vendor will ensure data classified as Medium Risk (Restricted) or High Risk (Highly Restricted) under the NC Statewide Data Classification and Handling Policy is not used to train AI models unless explicitly authorized by the NC DHHS Business Owner and the PSO
- Safeguards used to prevent unauthorized access, use, or disclosure of data used by the AI
- Inclusion of a NIST AI Risk Assessment as a deliverable in the Vendor's proposal

NCDEQ/NCDIT reserves the right to authenticate and verify Vendor's adherence to the provisions of this section and Vendor shall make good-faith, reasonable efforts to cooperate with NCDEQ to do so.