

STANDARD AGREEMENT FORM

1. Agency Contract Number 20-201-1091	2. Billing Contact at Clark Baird JFlahaven@CBSLawyers.com	3. Financial Coding LSA GF	4. Agency Assigned Encumbrance Number
5. Vendor Number CBS120431	Project Matter ID: 2019102869 Collective Bargaining Dispute Resolution		6. Alaska Business License Number 985887
This contract is between the State of Alaska,			
7. Department of Law		Division Deputy Attorney General	hereafter the State, and
8. Contractor Clark Baird Smith LLP RSmith@CBSLawyers.com (847) 378-7700 hereafter the Contractor			
Mailing Address 6133 N. River Road, Suite 1120	Street or P.O. Box Rosemont IL 60018	City	State ZIP+4
9. <p>ARTICLE 1. Appendices: Appendices referred to in this contract and attached to it are considered part of it.</p> <p>ARTICLE 2. Performance of Service:</p> <p>2.1 Appendix A (General Provisions), Articles 1 through 14, governs the performance of services under this contract.</p> <p>2.2 Appendix B sets forth the liability and insurance provisions of this contract.</p> <p>2.3 Appendix C sets forth the services to be performed by the contractor.</p> <p>ARTICLE 3. Period of Performance: The period of performance for this contract begins <u>July 18, 2019</u>, and ends <u>with the resolution of the matter</u>.</p> <p>ARTICLE 4. Considerations:</p> <p>4.3 On all invoices, the contractor shall refer to Agency Contract Number 20-201-1091 and send the billing to the project director with a cc to 03ContractPayments@alaska.gov</p>			
10. Department of Law		Attention: Deputy Attorney General	
Mailing Address 1031 W. 4 th Ave, Suite 200 Anchorage, AK 99501		Attention: Treg Taylor	
11. CONTRACTOR		13. CERTIFICATION: I certify that the facts herein and on supporting documents are correct, that this voucher constitutes a legal charge against funds and appropriations cited, that sufficient funds are encumbered to pay this obligation, or that there is a sufficient balance in the appropriation cited to cover this obligation. I am aware that to knowingly make or allow false entries or alternations on a public record, or knowingly destroy, mutilate, suppress, conceal, remove or otherwise impair the variety, legibility or availability of a public record constitutes tampering with public records punishable under AS 11.56.815-.820. Other disciplinary action may be taken up to and including dismissal.	
Name of Firm Clark Baird Smith, LLP			
Signature of Authorized Representative <i>Robert J. Smith, Jr.</i>	Date 7-22-19		
Typed or Printed Name of Authorized Representative Robert J. Smith, Jr.			
Title Partner EIN: 27-3100920			
12. CONTRACTING AGENCY		Signature of Head of Contracting Agency	
Department/Division Law-Civil/Labor & State Affairs	Date 7-22-19	Date 7-22-19	
Signature of Project Director <i>[Signature]</i>		Typed or Printed Name Kevin G Clarkson	
Typed or Printed Name of Project Director Tregarrick R. Taylor		Title Attorney General	
Title Deputy Attorney General		Authorized by AS 36.30.310, AAM 81.510, 2 AAC 12.4040	

NOTICE: This contract has no affect until signed by the head of contracting agency or designee.

APPENDIX A GENERAL PROVISIONS

Article 1. Definitions.

- 1.1 In this contract and appendices, "Project Director" or "Agency Head" or "Procurement Officer" means the person who signs this contract on behalf of the Requesting Agency and includes a successor or authorized representative.
- 1.2 "State Contracting Agency" means the department for which this contract is to be performed and for which the Commissioner or Authorized Designee acted in a signing this contract.

Article 2. Inspection and Reports.

- 2.1 The department may inspect, in the manner and at reasonable times it considers appropriate, all the contractor's facilities and activities under this contract.
- 2.2 The contractor shall make progress and other reports in the manner and at the times the department reasonably requires.

Article 3. Disputes.

- 3.1 Any dispute concerning a question of fact arising under this contract which is not disposed of by mutual agreement shall be decided in accordance with AS 36.30.620-632.

Article 4. Equal Employment Opportunity.

- 4.1 The contractor may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, or because of age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood when the reasonable demands of the position(s) do not require distinction on the basis of age, physical handicap, sex, marital status, changes in marital status, pregnancy, or parenthood. The contractor shall take affirmative action to insure that the applicants are considered for employment and that employees are treated during employment without unlawful regard to their race, color, religion, national origin, ancestry, physical handicap, age, sex, marital status, changes in marital status, changes in marital status, pregnancy or parenthood. This action must include, but need not be limited to, the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. The contractor shall post in conspicuous places, available to employees and applicants for employment, notices setting out the provisions of this paragraph.
- 4.2 The contractor shall state, in all solicitations or advertisements for employees to work on State of Alaska contract jobs, that it is an equal opportunity employer and that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood.
- 4.3 The contractor shall send to each labor union or representative of workers with which the contractor has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' compensation representative of the contractor's commitments under this and post copies of the notice in conspicuous places available to all employees and applicants for employment.
- 4.4 The contractor shall include the provisions of this article in every contract, and shall require the inclusion of these provisions in every contract entered into by any of its subcontractors, so that those provisions will be binding upon each subcontractor. For the purpose of including those provisions in contract or subcontract, as required by this contract, "contractor" and "subcontractor" may be appropriately the name or designation of the parties of the contract or subcontract.
- 4.5 The contractor shall cooperate fully with State efforts which seek to deal with the problem of unlawful discrimination, and with all other State efforts to guarantee fair employment practices under this contract, and promptly comply with all requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practices.
- 4.6 Full cooperation in paragraph 4.5 includes, but is not limited to, being a witness in any proceeding involving questions of unlawful discrimination if that is requested by any official or agency of the State of Alaska; permitting employees of the contractor to be witnesses or complainants in any proceeding involving questions of unlawful discrimination, if that is requested by any official or agency of the State of Alaska; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting inspection of the contractor's facilities; and promptly complying with all State directives considered essential by any office or agency of the State of Alaska to insure compliance with all federal and State laws, regulations, and policies pertaining to the prevention of discriminatory employment practices.
- 4.7 Failure to perform under this article constitutes a material breach of the contract.

Article 5. Termination.

The Project Director, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. The State is liable only for payment in accordance with the payment provisions of this contract for services rendered before the effective date of termination.

Article 6. No Assignment or Delegation.

The contractor may not assign or delegate this contract, or any part of it, or any right to any of the money to be paid under it, except with the written consent of the Project Director and the Agency Head.

Article 7. No Additional Work or Material.

No claim for additional services, not specifically provided in this contract, performed or furnished by the contractor, will be allowed, nor may the contractor do any work or furnish any material not covered by the contract unless the work or material is ordered in writing by the Project Director and approved by the Agency Head.

Article 8. Independent Contractor.

The contractor and any agents and employees of the contractor act in an independent capacity and are not officers or employees or agents of the State in the performance of this contract.

Article 9. Payment of Taxes.

As a condition of performance of this contract, the contractor shall pay all federal, State, and local taxes incurred by the contractor and shall require their payment by any Subcontractor or any other persons in the performance of this contract. Satisfactory performance of this paragraph is a condition precedent to payment by the State under this contract.

Article 10. Ownership of Documents.

All designs, drawings, specifications, notes, artwork, and other work developed in the performance of this agreement are produced for hire and remain the sole property of the State of Alaska and may be used by the State for any other purpose without additional compensation to the contractor. The contractor agrees not to assert any rights and not to establish any claim under the design patent or copyright laws. The contractor, for a period of three years after final payment under this contract, agrees to furnish and provide access to all retained materials at the request of the Project Director. Unless otherwise directed by the Project Director, the contractor may retain copies of all the materials.

Article 11. Governing Law.

This contract is governed by the laws of the State of Alaska. All actions concerning this contract shall be brought in the Superior Court of the State of Alaska.

Article 12. Conflicting Provisions.

Unless specifically amended and approved by the department of Law the General Provisions of this contract supersede any provisions in other appendices.

Article 13. Officials Not to Benefit.

Contractor must comply with all applicable federal or State laws regulating ethical conduct of public officers and employees.

Article 14. Covenant Against Contingent Fees.

The contractor warrants that no person or agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, contingent fee, or brokerage except employees or agencies maintained by the contractor for the purpose of securing business. For the breach or violation of this warranty, the State may terminate this contract without liability or in its discretion deduct from the contract price or consideration the full amount of the commission, percentage, brokerage, or contingent fee.

APPENDIX B² INDEMNITY AND INSURANCE

These terms do not apply to the contract per determination of Attorney General Kevin Clarkson

Article 1. Indemnification

The Contractor shall indemnify, hold harmless, and defend the contracting agency from and against any claim of, or liability for error, omission or negligent act of the Contractor under this agreement. The Contractor shall not be required to indemnify the contracting agency for a claim of, or liability for, the independent negligence of the contracting agency. If there is a claim of, or liability for, the joint negligent error or omission of the Contractor and the independent negligence of the Contracting agency, the indemnification and hold harmless obligation shall be apportioned on a comparative fault basis. "Contractor" and "Contracting agency", as used within this and the following article, include the employees, agents and other contractors who are directly responsible, respectively, to each. The term "independent negligence" is negligence other than in the Contracting agency's selection, administration, monitoring, or controlling of the Contractor and in approving or accepting the Contractor's work.

Article 2. Insurance

Without limiting contractor's indemnification, it is agreed that contractor shall purchase at its own expense and maintain in force at all times during the performance of services under this agreement the following policies of insurance. Where specific limits are shown, it is understood that they shall be the minimum acceptable limits. If the contractor's policy contains higher limits, the state shall be entitled to coverage to the extent of such higher limits. Certificates of Insurance must be furnished to the contracting officer prior to beginning work and must provide for a notice of cancellation, non-renewal, or material change of conditions in accordance with policy provisions. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach of this contract and shall be grounds for termination of the contractor's services. All insurance policies shall comply with and be issued by insurers licensed to transact the business of insurance under AS 21.

2.1 Workers' Compensation Insurance: The Contractor shall provide and maintain, for all employees engaged in work under this contract, coverage as required by AS 23.30.045, and; where applicable, any other statutory obligations including but not limited to Federal U.S.L. & H. and Jones Act requirements. The policy must waive subrogation against the State.

2.2 Commercial General Liability Insurance: covering all business premises and operations used by the Contractor in the performance of services under this agreement with minimum coverage limits of \$300,000 combined single limit per claim.

2.3 Commercial Automobile Liability Insurance: covering all vehicles used by the Contractor in the performance of services under this agreement with minimum coverage limits of \$300,000 combined single limit per claim.

2.4 Professional Liability Insurance: covering all errors, omissions or negligent acts in the performance of professional services under this agreement. Limits required per the following schedule:

Contract Amount	Minimum Required Limits
Under \$100,000	\$300,000 per Claim / Annual Aggregate
\$100,000-\$499,999	\$500,000 per Claim / Annual Aggregate
\$500,000-\$999,999	\$1,000,000 per Claim / Annual Aggregate
\$1,000,000 or over	Refer to Risk Management

APPENDIX C

Article 1 Services to be performed by the Contractor.

Article 1.1 The Contractor (Clark Baird Smith) shall act as counsel for the State of Alaska with respect to the negotiation of terms, preparation and/or review of documents for, and participation in proceedings related to collective bargaining dispute impacting the Alaska Marine Highway.

Article 1.2 Compensation for such services shall be made on an hourly fee basis contained in Appendix D, of this agreement and shall include, but not necessarily be limited to:

- a. activities related to the negotiation of terms, preparation of various agreements and documents related to collective bargaining issues; review of such documents for their budgetary impact.
- b. legal interpretation and guidance regarding compliance with regulations
- c. advice or representation in regard to federal or State legislation, regulation, program modification, or other matters related to collective bargaining.

Article 1.3 It is agreed between the parties that the State shall determine the scope of the services to be rendered by the Contractor and that the State has the option to and may perform all or part of the work involved in each matter assigned under this contract. It is further agreed that the State may require a separate contract on any matter that, in its judgment, may be sufficiently complicated or prolonged to justify a separate contract.

Article 2. Contract Management

Article 2.1 The designated contact person and lead attorney for the Contractor is James Baird. The Contractor's services under this contract shall be directed and managed from the Contractor's Rosemont, Illinois office. The Contractor may assign other attorneys to provide services under the contract after providing written notice to, and obtaining approval from, the State. All attorneys assigned to provide services under this Contract shall work under the direction and management of the individual listed above.

Article 2.2 The Contractor will maintain the involvement of the individuals identified in Article 2.1 above in advising and representing the State this contract. In the event of an unforeseeable circumstance that requires substitution for any of those individuals, the Contractor shall notify the State in writing of the proposed substitution. The State reserves the right to accept or reject a proposed substitute.

Article 2.3 At the request of the State's Project Director, the Contractor shall develop an estimate of the time and costs necessary to complete each service that falls under, Article 1.2.

Article 2.4 At the request of the State's Project Director, the Contractor shall prepare and maintain a workplan and budget approved by the State to accomplish the assigned tasks under Article 1.2 above including:

- a. a summary of the project, case, or matter;
- b. a discussion of the major strategy options including benefits, risks and the potential costs associated with each;
- c. a proposed/recommended strategy;
- d. a list of major tasks to accomplish within the next 12 months to support the recommended approach and strategies;

- e. identification of critical dates and proposed monthly schedule for completion of each task including responsibilities and estimated time and cost to complete; and
- f. a description of staffing roles and responsibilities.

The State will review the proposed work-plan and budget, specify any necessary changes, and have authority to approve the final plan. During the period of this agreement the Contractor shall continually update each work-plan and budget to reflect changes in strategy, timing, cost, etc. and submit all proposed revisions to the State for approval.

In order to accommodate special circumstances or those matters which unexpectedly increase in scope, the State reserves the right to request the Contractor to prepare and maintain a work-plan and budget at any point during the period the Contractor is working on a particular assignment or on any matter regardless of its original estimated cost of completion

Article 2.5 The period of performance, scope, and amount of this agreement may be amended in writing at the discretion of the State. In addition, the parties to this agreement acknowledge that work may begin on the date shown in Article 3. ("Period of Performance") and that the foregoing date may precede the date of execution of this agreement because immediate performance is required to serve the best interest of the state.

Article 2.6 The Contractor agrees to participate in periodic status meetings with the State's project director and others the project director shall designate, and to prepare and present at the meeting a summary of the status of the tasks for which the Contractor is responsible.

Article 2.7 Before a cost overrun is incurred, the Contractor agrees to alert the State when it appears that total expenditures under the contract may exceed the contract ceiling established under Appendix D, Article 1.4. When so notified, the State may elect to amend this agreement to increase the contract ceiling, perform the task(s) in-house, change the scope of work, or use some combination of these alternatives. In the event the Contractor fails to notify the State prior to incurring a cost overrun, the Contractor shall assume liability for any excess costs and fees incurred up until the time at which the Contractor notifies the State of the overrun.

Article 2.8 In matters in which the parties determine that professional/expert witness services are needed by subcontract, the State shall set criteria for the Contractor to apply in selecting such experts. The State reserves the right to approve or reject the selection of all expert witnesses, to select the expert witnesses, and to participate in any subcontract negotiations with the Contractor. Generally, the State will require the Contractor to impose upon expert witnesses terms and conditions identical to those contained in this agreement, including the preparation and maintenance of a detailed work-plan and budget, clearly establishing liability for cost overruns, and compliance with the billing policies and procedures contained in Appendix D. The Contractor agrees to direct and monitor expert witness performance and to assume responsibility for payment of expert witness invoices and the resolution of any fee disputes. For its part, the State agrees to reimburse the Contractor for all expert witness costs and fees that fall within the scope of an approved work-plan and budget or are otherwise allowable under the terms and conditions of an approved expert witness subcontract or letter of agreement.

Article 2.9 At any point during the period of this agreement that the Contractor becomes aware of a potential conflict of representation and wishes to obtain a waiver from the State, the Contractor shall submit a written request to the Deputy Attorney General that contains the following information:

- a. Full disclosure of the scope of the matter the firm and designated lawyer's desire to perform for the named entity or individual, and
- b. Statement of the reason why the conflict would not be so substantial as to be deemed likely to

interfere with the lawyer's exercise of independent professional judgment or affect the integrity of services that the State expects and the firm and designated lawyers have contracted to perform for the State.

Article 2.10 Copies of any significant briefs prepared by the Contractor shall be sent to the State Department of Law's Legal Administrator for review and possible inclusion in the State's automated brief bank indexing system. In addition, upon conclusion of this agreement, unless other storage/retention agreements are approved by the State's Deputy Attorney General, all case files including discovery, other evidentiary materials, and any automated litigation support data shall be forwarded to the State's Department of Law.

Article 2.11 Unless directed otherwise, the Attorney General's Office shall be the primary points of contact for all substantive dealings with the media. In the event the Contractor is contacted by media representatives concerning any matters being handled on behalf of the State, the Contractor should decline any comment beyond confirming factual matters that are already a matter of public record and refer the individuals to the Attorney General's Office. News releases pertaining to this contract may not be made without prior written approval of the State.

Article 2.12 In addition to the obligations assumed by the Contractor to protect information obtained through its attorney-client relationship with the State, the Contractor shall not, at any time, during or after the term of this agreement, without the State's written consent, disclose any information designated confidential by the State.

Article 3. General Litigation Policies

Article 3.1 The Contractor shall represent the State in a manner that is consistent with the State's philosophy of pursuing litigation in an aggressive and forthright manner while maintaining the overall objective of resolving litigation in the most expeditious and cost-effective manner.

The Contractor shall avoid taking extreme advocacy positions that are not likely to have a substantive impact on the litigation. Coercive, delaying or obstructive tactics are also to be avoided. In addition, the State discourages engaging in motion practice unless there is some clear, strategic advantage to be gained. Where appropriate, however, motions for judgment on the pleadings or for summary judgment pursuant to applicable rules should be employed to resolve or refine as many issues in dispute as possible.

Lengthy interrogatories or requests for extensive document production solely for the purpose of burdening another party are to be avoided. It is generally recognized that costly delays frequently result from abuses of the discovery process. The Contractor, in consultation with the Project Director, should consider available remedies when another party appears to be abusing the discovery process.

Article 3.2 The Contractor shall identify and consider early in the proceedings and at each stage thereafter, the settlement possibilities of the dispute in order to achieve the greatest degree of cost-effectiveness. The Contractor should promptly report any and all settlement overtures received to the Project Director to permit his or her involvement in planning and negotiations.

Article 3.3 The Department of Law, Civil Division does not normally have the authority or responsibility for instituting, conducting or disposing of criminal proceedings. The department's policy is that the settlement of civil litigation may not, expressly or by implication, extend to the disposition of any criminal charges or recommendations with respect to such charges. In undertaking any settlement negotiations the Contractor shall not agree either to not disclose or not refer to law enforcement authorities any information relating to a possible criminal violation or investigation.

Article 3.4 The Contractor should be alert to and inform the State of any opportunities for utilizing non-

judicial dispute resolution approaches. Generally speaking, the State does not favor the use of arbitration or other forms of binding alternative dispute resolution; however, certain non-binding approaches, such as mediation or mini-trials, may result in a faster, less expensive resolution of disputes.

Article 3.5 In the event of any adverse ruling, the Contractor must notify the Project Director promptly in order that a decision may be made regarding possible appeals. No appeal may be taken without the prior approval of the Project Director, but the Contractor should protect the state's appeal rights pending a decision to appeal.

Article 3.6 The Project Director or the Attorney General's Office shall be the primary points of contact for all substantive dealings with the media. In the event the Contractor is contacted by media representatives concerning this or other cases being handled on behalf of the state, the Contractor should decline any comment beyond confirming factual matters that are already a matter of public record and refer the individuals to the Project Director.

Article 3.7 Prior to approaching employees of other government agencies for any purpose, including scheduling depositions or requesting documents, the Contractor shall notify the Project Director. In the event that such a contact or request for information is deemed to be of a sensitive nature, it may be coordinated directly by the Project Director.

APPENDIX D

Article 1 Consideration

Article 1.1 In full consideration of the Contractor's performance under this contract, the State shall pay the Contractor at the following hourly rates for each attorney and paralegal:

R. Theodore Clark Jr. , Partner	\$350.00
James Baird, Partner	\$350.00
Robert Smith, Partner	\$350.00
James Powers, Partner	\$340.00
Benjamin Gehrt, Partner	\$340.00
Roxana Underwood, Partner	\$325.00
Abby Rogers, Senior Associate	\$320.00
Paul Denham, Associate	\$305.00
Kelly Coyle, Associate	\$250.00
Jamie Flahaven (Paralegal)	\$135.00

In addition, the State will reimburse the Contractor for the services of other consulting professionals or temporary personnel that may be employed to provide services under this agreement so long as the use of such additional personnel and their rates are approved in writing in advance by the State's project director.

Article 1.2 The State agrees to reimburse the Contractor on a monthly or other periodic basis for reasonable and necessary out-of-pocket expenses incurred under this contract. No reimbursement shall be made for any administrative, surcharge, or other overhead recovery fee. Unless otherwise noted, reimbursement for out-of-pocket expenses shall be limited to actual costs except that reimbursement for those specific services or expenses listed below shall be limited as follows:

<u>Service or Expense</u>	<u>Charge/Rate</u>
Reproduction	\$0.10 per page
Computerized Legal Research (such as Lexis/Nexis, Westlaw/Dialog)	At cost as invoiced
Courier Services	
Automobile Messenger Deliveries	At cost as invoiced
Overnight Deliveries (such as UPS, Federal Express, Express Mail, DHL)	At cost as invoiced
Postage	At cost
Telephone	At cost as invoiced
Telecopier	\$0.75(local), \$1.50(domestic), \$2.25(int'l)
Travel and Lodging	
Hotel Accommodations	Not to exceed \$300.00/night
Air Fare	Not to exceed coach class
Cab Fare	At cost as invoiced
Meals	Not to exceed \$60.00/day

No reimbursement shall be made for any administrative, surcharge, or other overhead recovery costs. Reimbursement shall not be made for the purchase or lease of office space, furnishings, equipment, or software unless approved in advance by the State. Upon conclusion of this agreement, unless other arrangements are approved by the Deputy Attorney General, the ownership of any furnishings, equipment, or software purchased under this contract shall revert back to the State and those items returned to the

State.

Contractor will not bill the State for time in travel status, except for that time during which the individual has performed work on the State's matter while in travel status; in that situation the Contractor shall adhere to billing rates provided in Article 1.2 of this appendix.

The Contractor shall, when possible, utilize moderately priced hotels comparable to those used by the State employees. Reimbursement for meals shall follow the State of Alaska Administrative Manual Per Diem guidelines (sliding scale depending upon travel location). No reimbursement shall be made for alcoholic beverages, entertainment, or what might otherwise be considered normal living expenses.

Reimbursement for any out-of-pocket expenses not covered under the terms listed above will only be made if such expenditures are pre-authorized by the State.

Article 1.4 Unless amended in writing, the total sum expended under this contract shall not exceed \$150,000 including out-of-pocket expenses.

Article 2 Billing Procedures

Article 2.1 For services covered under Appendix C, Article 1.1, the Contractor agrees to bill the State immediately after issuance of debt. For services covered under Appendix C, Article 1.2, Contractor agrees to bill the State at least monthly.

Article 2.2 The Contractor's billing statements shall be itemized to show the agency contract number, time spent, a task description and the date that tasks were performed by the name and hourly rate of the individual performing the work. All billing statements shall include an itemization of all costs and copies of invoices for travel and other out-of-pocket expenses. All invoices will be cc'd to 03ContractPayments@alaska.gov

Article 2.3 As applicable, monthly submission of bills shall include a contractor billing summary that lists the original estimated cost of completion as well as the monthly and cumulative total of fees and expenses incurred for each assignment made under this agreement. In addition, a separate billing summary shall be submitted for each substantive assignment (i.e. those assignments estimated to take more than fifty hours of work to complete) for which a workplan and budget are required under Appendix C, Article 2.4. With regard to the substantive assignments, the billing summaries should list each major task identified in the work-plan for that assignment and explain any variances from amounts budgeted for each task.

The State reserves the right to withhold payment of fees and expenses pending satisfactory explanation and authorization to exceed original cost estimates or an approved task budget. As a standard cost control practice, the State may conduct an audit of time and cost records of the Contractor, its employees and expert witness subcontractors. Any such audit may be conducted at the Contractor's offices or a place mutually agreed to by the Contractor and the State.

Article 2.4 Billing rates are capped for one year from date of execution of this Contract. If after one year the Contractor wishes to seek an adjustment to its billing rates, the Contractor shall:

- a. notify the State in writing sixty (60) days before activating any change in billing rates;
- b. specify the impact the rate adjustment would have on the existing work-plan and budget; and
- c. limit the change in any individual billing rate to an amount that does not exceed the percentage increase in the Consumer Price Index (CPI) for the locale from which the services are being

rendered, or obtain the approval of the State for any increase above the CPI.

If billing rates are increased under this Article, the new rates are capped for one year following the date of the increase.