

# AI-Based Tool to Automatically Read and Analyze Legal Contracts

## Introduction

Legal contracts are essential documents used in businesses, organizations, and personal agreements...

## Literature Survey

Several research works have been carried out in the field of document analysis, natural language processing, and legal text summarization...

## Problem Statement

Legal contracts are lengthy and complex, requiring careful reading and interpretation...

## Objectives

- To design an AI-based system that reads legal contract documents
- To extract important clauses such as payment, termination, and confidentiality
- To identify legal, financial, and compliance risks
- To generate a structured and concise summary report
- To reduce manual effort and contract review time

## Proposed System Overview

The proposed system is an AI-powered contract analysis tool that automatically processes uploaded legal contracts...

## System Architecture

The system architecture consists of the following major components...

## Development Phases

Phase 1 (Week 1–2): Environment setup, document upload, basic parsing, agent role definition, and initial testing.

Phase 2 (Week 3–4): Planning module development, API integration, prompt templates, and agent coordination.

Phase 3 (Week 5–6): Parallel clause extraction, risk pipelines, multi-turn agent interaction, data storage.

Phase 4 (Week 7–8): Report generation, UI finalization, customization options, and full documentation.

## Modules Description

Document Upload Module, Text Extraction Module, Text Preprocessing Module, Planning Module, Legal Agent, Finance Agent, Compliance Agent, Operations Agent, Risk Analysis Module, Report Generation Module.

## Tools and Technologies

Python, Streamlit, spaCy, NLTK, LangChain, LangGraph, Pinecone, Visual Studio Code.

## Implementation Details

The backend of the system was developed using Python...

## Results and Discussion

The system successfully extracted important clauses, dates, monetary values, and obligations...

## Advantages and Applications

Advantages: Saves time, reduces human error, easy to use, modular architecture, scalable.

Applications: Law firms, corporate legal teams, startups, individuals.

## Conclusion and Future Work

This project presented an AI-based multi-agent system to automatically read and analyze legal contracts...

## References

Jurafsky & Martin, Speech and Language Processing; spaCy Documentation; NLTK Documentation; LangChain Documentation; Pinecone Documentation.

# Data Use Agreement for Open AI Model Development

## Annotated-Template

*This contract template provides a set of terms suitable for governing the sharing of data by one entity with another for the purpose of allowing the second entity to use the data to ‘train’ an artificial intelligence model. Although each such scenario may involve its own set of specific considerations, there are certain core terms that lend themselves to a degree of standardization. This template aspires to present some canonical terms for community discussion that might be further refined and modified in particular circumstances.*

\* \* \*

### **DATA USE AGREEMENT FOR OPEN AI MODEL DEVELOPMENT**

This AI Data Sharing Agreement (“Agreement”) is entered into between [●] (“Data Provider”) and [●] (“Data User”) as of [●] (“Effective Date”). Data User and Data Provider may also be referred to individually as “a party” or collectively as “the parties”.

#### **1. Defined Terms**

- a. “AI Model” means the machine learning algorithm described in Attachment A, including associated parameters and associated weights, if present.

**Comment:** *This definition contemplates that the AI Model may be an entirely untrained machine learning algorithm, without any associated parameters or weights, or that it may be a partially trained algorithm. Attachment A should be used to identify and describe the particular AI Model that will be Trained by Data User.*

- b. [OPTIONAL “NDA” means a non-disclosure agreement governing the exchange of confidential information between the parties.]
- c. “Open Source License” means a license that meets all of the requirements of the “The Open Source Definition” as published by the Open Source Initiative at <https://opensource.org/osd>.

**Comment:** *The definition published by the Open Source Initiative is familiar to, and generally accepted by, the open source community. Many of the most common open source licenses in use today, such as the MIT license, would satisfy the definition.*

- d. “Personal Data” means any information relating to an identified or identifiable natural person and any other information that constitutes personal data or personal information under any applicable law. An identifiable natural person is one who can be identified, directly or indirectly, in particular by referencing an identifier such as a name, an identification number, location data, an online identifier, or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural, or social identity of that natural person.

**Comment:** This definition of Personal Data leverages the definition set out in the GDPR, but also extends to any other information deemed “personal data” or “personal information” by applicable law. So, for example, this definition would cover protected health information (PHI) if the data is regulated by HIPAA, because PHI is defined in 45 CFR 160.103 as “individually identifiable health information.”

- e. “Train” means to provide the AI Model with Training Data for the purpose of enhancing the predictive capabilities of the AI Model.
- f. “Trained Model” means the AI Model as modified following Training, including associated weights.
- g. “Training Data” means the dataset described in Attachment A to be provided by the Data Provider to the Data User for the purpose of Training the AI Model.

## 2. Provision of Data

- a. Data Provider agrees to make the Training Data (and any updates if applicable) available to the Data User as described in Attachment A.

**Comment:** Attachment A should be used to specify any requirements around delivery of the data, for example: when the data will be provided to the Data User, the technical mechanism to be used for that delivery, and/or any formatting requirements. If the Data Provider will be refreshing or adding to the Training Data over time, Attachment A can also make clear the nature of those updates and how frequently they will be provided to the Data User.

- b. All Personal Data (if any) included in the Training Data is as described in Attachment A.

**Comment:** If Personal Data is included in the Training Data, that should be made clear to Data User in Attachment A. The Parties can then use Attachment B, as referenced in Section 7c below, to set out any additional terms that may be required, e.g., to satisfy GDPR requirements.

## 3. Use of Data

**Comment:** Generally, this section includes clauses that protect the Data Provider’s interests in the Training Data.

- a. Data User agrees to use the Training Data solely for the purpose of Training the AI Model.
- b. Data User may retain the Training Data for the duration of this Agreement. Data User will delete all Training Data from its systems and records on termination of this Agreement (or based on the retention period set forth in Attachment A, if specified), except as required by applicable law.

**Comment:** The term of the Agreement is by default 1 year. To the extent the Data User may need to retain the data for a longer period of time, the parties can decide to extend the term of the Agreement or to add a separate (and perhaps more limited) retention right in Attachment A.

- c. Data User agrees to make Trained Model publicly available under an Open Source License that includes a general disclaimer of liability in favor of the Data Provider.

**Comment:** This clause requires dissemination of the Trained Model under an Open Source License in order to encourage data sharing and to facilitate the use and development of the AI model. In particular, it provides an incentive for Data Providers to share the Training Data since it would be for the benefit of the wider community. Of course, the parties to an agreement may decide to limit availability of the Trained Model in some fashion, where an Open Source License would no longer be appropriate. Note that this form does not require the Data User to maintain or update the Trained Model over time, including in the event Data Provider makes additional data available to Data User, because of the potential administrative burden that would impose, but the parties can add language to this agreement to impose such a requirement.

#### 4. Rights Related to Trained Model

**Comment:** Generally, this section includes clauses that protect the Data User's ability to use the Trained Model.

- a. If there are any rights Data Provider holds in the Trained Model by virtue of Data User's Training, Data Provider irrevocably grants Data User a sublicensable license to all such rights.

**Comment:** This license has been included to address the possibility that a particular jurisdiction may (now or in the future) recognize the Data Provider as having some proprietary interest in the Trained Model because its data was used in the Training. It has been intentionally drafted to avoid any acknowledgment by either party that such rights exist.

- b. Data Provider has no rights or interest in any AI Models or other output developed using the Trained Model because of this Agreement. No implied rights are granted under this Agreement.

**Comment:** This clause provides assurance to Data User and any downstream users of the Trained Model that Data Provider has no claim to (or right to be compensated for) any intellectual property or other developments created using the Trained Model.

- c. This Agreement does not impose any restrictions with respect to the use of the Trained Model.

#### 5. Representation and Warranties; Disclaimer

- a. Data Provider and Data User each represent and warrant that it will perform its activities in this Agreement in compliance with applicable laws, including data protection and privacy laws.

**Comment:** This clause gives each party assurance that the other party will be responsible for its compliance with the laws relevant to its obligations under the Agreement. For agreements subject to GDPR, the Agreement may include a provision stating that each party is an independent data controller to further clarify that each party is independently responsible for compliance.

- b. Data Provider represents and warrants that it is not aware of any contractual or other restrictions on the Training Data that would limit Data User's Training of the AI Model or use and distribution of the Trained Model as contemplated in this Agreement. Data Provider makes no representations or warranties in this Agreement with respect to Data User's rights to use and distribute the underlying AI Model.

***Comment:** This clause is designed to give assurance to the Data User that the Data Provider is not aware of any restrictions outside of this Agreement on the intended use of the Training Data. However, because the Data Provider is not necessarily the source of the AI Model, this clause also clarifies that the Data Provider's representations and warranties do not extend to the AI Model itself. Instead, the Data User is responsible for ensuring it has the rights it needs with respect to the AI Model, which is the subject of the next representation and warranty.*

- c. Data User represents and warrants that it has sufficient rights with respect to the AI Model to Train the AI Model and distribute the Trained Model as required by this Agreement.
- d. **DATA PROVIDER MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY OR COMPLETENESS OF THE TRAINING DATA AND SPECIFICALLY DISCLAIMS ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE TRAINING DATA. EXCEPT AS SET FORTH IN THIS SECTION 5 OR IN ATTACHMENT A, THE TRAINING DATA IS PROVIDED TO DATA USER "AS-IS" AND WITH ALL FAULTS AND DEFECTS.**

***Comment:** Any representations pertaining to the quality or other attributes of the data should be set out in Attachment A. The default is that the Data User uses the Training Data at its own risk.*

## **6. Confidentiality of Training Data**

- a. Data User agrees to take reasonable steps to protect the confidentiality of the Training Data while in Data User's possession or control; except that Data User may freely use or disclose any portion of the dataset described in Attachment A that: (i) was lawfully in Data User's possession prior to the time of disclosure by Data Provider; (ii) becomes publicly available without a breach of this Agreement by Data User; (iii) is received by Data User lawfully from another source without any corresponding obligation of confidentiality; or (iv) is independently developed by or for Data User.
- b. Data User may disclose the Training Data if and as required by law; but only after it notifies the Data Provider (if legally permissible) to enable the Data Provider to seek a protective order or other appropriate remedy.
- c. Data User may not disclose the Training Data to any third party, except to its employees, contractors and consultants ("Representatives") and then only on a need-to-know basis under nondisclosure obligations at least as protective as this Agreement. Data User will be responsible and liable for the use and disclosure of the Training Data by its Representatives, which use and disclosure is subject to the same limitations and requirements that apply to Data User.
- d. [OPTIONAL If there is a conflict between the terms of the NDA and the terms of this Agreement with respect to Training Data, the terms of this Agreement shall govern.]

***Comment:** In some instances, the parties may have entered into an NDA governing the exchange of confidential information between them. Because the Training Data is the confidential information of the Data Provider, it may be helpful to make clear in those situations that the NDA does not preclude use of the Training Data as contemplated in this Agreement.*

## 7. Data Protection and Privacy

- a. While the Training Data is in the possession or control of Data User, Data User agrees to implement and maintain reasonable physical, administrative, and technical safeguards to protect the Training Data from inadvertent or unauthorized access, disclosure, use, or modification, taking into account the sensitivity of such Training Data.
- b. All use and storage of the Training Data by Data User will be consistent in all material respects with the data handling guidelines or frameworks set forth in Attachment A, if any.

**Comment:** *To the extent Data Provider requires compliance with any particular security standards, such as an ISO or NIST standard, these can be added to Attachment A.*

- c. Each party will cooperate with the other to ensure the provision, use and storage of the Training Data is in compliance with applicable laws, including any applicable data protection or privacy laws, as further described in Attachment B.

**Comment:** *Attachment B may be used to set out, e.g., any applicable GDPR terms. As another example, if HIPAA applies, Attachment B may take the form of a Business Associate Agreement, or may specify that the Data Provider is required to de-identify the data prior to providing it to Data User.*

- d. Data User will promptly notify Data Provider in the event of any unauthorized access, disclosure, use or modification of the Training Data and will reasonably cooperate with Data Provider to remediate and resolve such security breach to the reasonable satisfaction of Data Provider.
- e. Data User will not attempt to identify any natural person from any anonymized or de-identified Personal Data included in the Training Data.

**Comment:** *If desired and agreed by the parties, an audit provision could be added to the Agreement to allow Data Provider to confirm compliance with these requirements.*

## 8. Term and Termination

- a. This Agreement is effective as of the Effective Date and will continue until the first anniversary of the Effective Date, at which time this Agreement will automatically terminate unless extended by mutual written agreement of the parties.

**Comment:** *The Agreement does not automatically renew because (1) the Data Provider is likely to want a finite end to Data User's data retention rights, (2) the Data User is likely to want a finite end to its obligations under this Agreement, especially in view of the fact that the data will become stale at some point, and (3) changes in data privacy laws (or other laws) may necessitate adjustment to the contractual terms over time.*

- b. Either party may terminate this Agreement if the other party has materially breached the Agreement and has failed to cure such breach within thirty (30) days of written notification of such breach by the other party.
- c. Either party may terminate this Agreement for any reason on ninety (90) days' prior written notice to the other party.

**Comment:** *Ninety days was selected to provide Data User with ample time to “wind down” use of the Training Data. This timeframe can be tailored for the particular scenario at issue.*

- d. The following Sections of this Agreement will survive termination of this Agreement: Sections 1, 3b (for the duration of the retention period, if any), 3c (for one (1) year following termination or expiration of this Agreement and thereafter until such date as Data User ceases use of the Trained Model), 4, 6, 7 (for any period during which Data User has possession or control of the Training Data), 8d and 9.

## 9. General

- a. **Entire Agreement; Amendments.** This Agreement is the entire agreement and understanding between the parties with respect to the subject matter described in this Agreement and supersedes all prior agreements, understandings, promises and representations with respect thereto. Any amendment to the Agreement must be in writing and is executed by authorized representatives of both parties.
- b. **Counterparts; Electronic Signatures.** This Agreement may be executed in any number of counterparts. which, when taken together, will constitute one original. This Agreement may be executed by PDF format via email or other electronically transmitted signatures and such signatures will be deemed to bind each party to this Agreement as if they were original signatures.
- c. **No Third-Party Beneficiaries.** No person or entity who is not a party to this Agreement will have the right to enforce any provision of this Agreement[, except that third party users of the Trained Model are third-party beneficiaries of Section 4(b)].

**Comment:** *As a default, this form does not permit any third party to enforce the terms of this Agreement, since many of the terms relate to specific obligations as between the Data Provider and Data User (e.g., Data Provider’s obligation to provide the data, or any commitments given by the Data Provider as to quality or provenance, and Data User’s obligations with respect to retention and protection of the data). However, end users of the Trained Model should be able to invoke Section 4b in the event a Data Provider claims a proprietary interest in downstream works or other creations and so that has been added as an exception.*

- d. **Relationship of the Parties.** The parties are independent contractors and the relationship between the two parties under this Agreement will not constitute a partnership or agency. Neither party will have the authority to take any action that will be binding on the other party.
- e. **Assignment.** Neither party may assign this Agreement, in whole or in part, to any third party without the prior written consent of the other party.
- f. [OPTIONAL: **Limitations of Liability.** Except in the event of Data User’s material breach of Section 6 or unauthorized use of the Training Data: (i) in no event will either party be liable for indirect, incidental, special, punitive, or consequential damages, including loss of use, loss of profits, or interruption of business, however caused or on any theory of liability in relation to this Agreement, and (ii) to the extent permitted by applicable law, each party’s total liability for all claims relating to this Agreement will be limited to [●].]



**Comment:** *This optional clause should be included when the parties wish to exclude the recovery of indirect damages and/or to cap liability at a specific dollar amount. This clause has not been made mandatory as the nature and sensitivity of the Training Data may drive parties to adopt different approaches. There may also be instances in which the parties may wish to include the provision but to make it one-way in favor of Data Provider, e.g., where the Data Provider is providing the data strictly “as is” but could be exposed to losses if the data is misused by Data User.*

**Reviewed and Agreed**

**On behalf of [DATA PROVIDER]**

**By:**

**Name:**

**Title:**

**On behalf of [DATA USER]**

**By:**

**Name:**

**Title:**

**ATTACHMENT A**  
**Project Details**

**Part I - Description of AI Model; License**

*Insert description of AI Model (including, if publicly accessible, the relevant URL), the source of the AI Model (if known), and identify the license (if applicable) under which it is made available to Data User. Specify any copyright notices or attribution requirements.*

**Part II - Description of Training Data**

*Insert description of Training Data and, if desirable, any limitations/disclaimers about the data (e.g., if it based on a subset of a particular population, collected during a specified time period, known to be incomplete, etc.).*

*[Optional: Insert information about the provenance and lineage of the Training Data, as well as any legal, contractual, or other limitations on Data Provider's rights to transfer, process or otherwise use, or permit others to transfer, process or otherwise use, the Training Data.]*

*[Optional: Insert any certifications as to the contents, quality, or other characteristics of the Training Data that should be a carve-out to the general disclaimer in Section 5d.]*

*[Optional: Insert any description of the methods/technologies used by the Data Provider to secure the data as well as any expectations about the Data User's obligations to provide the same or equivalent protection.*

**Part III - AI Project Specification**

*Insert description of delivery mechanism for the Training Data as well as any formatting requirements and (if applicable) the frequency of updates.*

*[Optional: Insert data retention period (i.e., the duration of time Data User is permitted to retain the Training Data following termination/expiration of the Agreement).]*

*[Optional: Insert any applicable data handling guidelines or frameworks that should apply to Data User's storage and use of the Training Data (e.g., ISO/NIST standards).]*

**Part IV - Location of Trained Model**

*Insert URL where Data User will make the Trained Model publicly available for download, and include any other relevant instructions for accessing the model.*

## **ATTACHMENT B**

### **Data Privacy**

*If relevant, insert applicable GDPR, HIPAA or other applicable privacy terms.*

**Comment:** *Generally, this Attachment B allows the Data Provider to specify data handling and treatment practices to preserve the privacy of the data subjects from which the data was collected. For example, if the Data Provider has aggregated or pseudonymized the data in an effort to address privacy concerns, the Data User may be required to adhere to certain data handling practices to ensure that those steps are not circumvented either intentionally or unintentionally. Also, the parties may want to limit human inspection of some or all of the data. In other circumstances, the parties might use technological privacy enforcement practices including differential privacy; data brokering; or requiring data be processed inside trusted security spaces such as via containers, data bricks, cryptographic kernels, or with the assistance of a trusted third party. Each of these approaches may require specific data handling practices to be effective.*

*Sample Contract*

Contract No. \_\_\_\_\_  
**PROFESSIONAL SERVICES AGREEMENT**

THIS AGREEMENT made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by and between the SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION, hereinafter called COMMISSION, and \_\_\_\_\_, hereinafter called CONSULTANT for \_\_\_\_\_ (services/project name).

**1. DUTIES.**

- A. CONSULTANT agrees to exercise special skill to accomplish the following results in a manner reasonably satisfactory to COMMISSION: \_\_\_\_\_, as specified in Exhibit A: Scope of Services, which by this reference is incorporated herein.
- B. CONSULTANT shall provide the personnel listed below to perform the above-specified services, which persons are hereby designated as key personnel under this Agreement.
- | <u>Name</u> | <u>Firm</u> | <u>Function</u>     |
|-------------|-------------|---------------------|
|             |             | Principal in Charge |
|             |             | Project Manager     |
- C. No person named in paragraph B of this Section, or his or her successor, shall be removed or replaced by CONSULTANT, nor shall his or her agreed-upon function hereunder be changed, without the prior written consent of COMMISSION. Such consent shall not be unreasonably withheld.
- D. CONSULTANT'S PROGRESS REPORTS AND/OR MEETINGS
- 1) The CONSULTANT shall submit written progress reports with each invoice. The report should be sufficiently detailed for the Contract Manager to determine if the CONSULTANT is performing to expectations or is on schedule; to provide communication of interim findings; and to sufficiently address any difficulties or special problems encountered, so remedies can be developed.
  - 2) The CONSULTANT's Project Manager shall meet with the COMMISSION's Contract Manager, as needed, to discuss progress on the contract.

**2. COMPENSATION.**

In consideration for CONSULTANT accomplishing said result, COMMISSION agrees to pay CONSULTANT as follows:

- A. Total payment is not to exceed \$\_\_\_\_\_ for time and materials at the rates and conditions set forth in Exhibit B: Fee Schedule, which by this reference is incorporated herein.
- B. In no event, will the CONSULTANT be reimbursed for overhead costs at a rate that exceeds the overhead rate set forth in the Fee Schedule.
- C. Transportation and subsistence costs shall not exceed the rates authorized to employees under current U.S. General Service Administration rules.
- D. Reimbursable expenses will be billed by CONSULTANT and processed for payment upon approval of the Contract Manager.
- E. Progress payments will be made no less than monthly in arrears based on satisfactory services provided and actual allowable incurred costs. A pro rata portion of the CONSULTANT's fixed fee, if applicable, will be included in the monthly progress payments. If CONSULTANT fails to submit the required

deliverable items according to the schedule set forth in the Scope of Services, the COMMISSION may delay payment and/or terminate this Agreement in accordance with the provisions of Section 4 of this Agreement.

- F. No payment will be made prior to approval of any work, nor for any work performed prior to approval of this Agreement.
- G. CONSULTANT shall not exceed milestone cost estimates as shown in Exhibit B, except with the prior written approval of the Contract Manager.
- H. The CONSULTANT will be reimbursed after receipt by the COMMISSION's Contract Manager of itemized invoices. Invoices shall be submitted no later than 45 calendar days after the performance of work for which the CONSULTANT is billing. Invoices shall be mailed to the COMMISSION's Contract Manager at the following address:  
SCCRTC, 1523 Pacific Ave, Santa Cruz, CA, 95060

The invoices must include the following information:

- 1. Labor (staff name, hours charged, hourly billing rate, current charges and cumulative charges) performed during the billing period by task;
  - 2. Itemized expenses incurred during the billing period;
  - 3. Total invoice/payment requested;
  - 4. Total amount previously paid under this Agreement;
  - 5. Report of expenditures by CONSULTANT and subconsultants for each task and subtask or milestone and estimated percentage completion by such divisions of work;
  - 6. Written progress reports, in a format to be mutually agreed upon, that is sufficiently detailed for the Contract Manager to determine if the CONSULTANT is performing to expectations and is on schedule; provides communication of interim findings; addresses any difficulties or special problems encountered, so remedies can be developed; and other information as requested by COMMISSION.
  - 7. CONSULTANT's final invoice must be submitted within 60-calendar days after acceptance of the CONSULTANT's work by the Contract Manager.
- I. For personnel subject to prevailing wage rates as described in the California Labor Code, all salary increases, which are the direct result of changes in the prevailing wage rates are reimbursable.

- 3. **TERM.** This Agreement shall take effect on (DATE); contingent upon prior approval by the COMMISSION governing board, and the CONSULTANT shall commence work after notification to proceed by the COMMISSION'S Contract Manager. The Agreement shall end on (DATE), unless earlier terminated or extended by contract amendment. The CONSULTANT is advised that this Agreement is not binding and enforceable until it is fully executed and approved by the COMMISSION's board.

- 4. **EARLY TERMINATION.**

- A. COMMISSION may terminate this Agreement for its convenience any time, in whole or part, by giving CONSULTANT thirty-day (30-day) written notice thereof. Within thirty days of the COMMISSION's receipt of CONSULTANT's final billing, COMMISSION shall pay CONSULTANT its allowable costs incurred to date of termination and those allowable costs determined by COMMISSION to be reasonably necessary to effect such termination. Thereafter, CONSULTANT shall have no further claims against COMMISSION under this Agreement.
- B. COMMISSION may terminate this Agreement for CONSULTANT's default if a federal or state proceeding for the relief of debtors is undertaken by or against CONSULTANT, or CONSULTANT's

principal, or if CONSULTANT or CONSULTANT's principal makes an assignment for the benefit of creditors, or if CONSULTANT breaches any term(s) or violates any provision(s) of this Agreement and does not cure such breach or violation within ten (10) days after written notice thereof by COMMISSION. CONSULTANT shall be liable for any and all reasonable costs incurred by COMMISSION as a result of such default, including but not limited to reprourement costs of the same or similar services defaulted by CONSULTANT under this Agreement.

- C. CONSULTANT may terminate this Agreement by giving the COMMISSION at least one hundred and twenty (120) days advance written notice. CONSULTANT shall be liable for any and all reasonable costs incurred by COMMISSION as a result of such default, including but not limited to reprourement costs of the same or similar services defaulted or not provided by CONSULTANT under this Agreement.

**5. INDEMNIFICATION FOR DAMAGES, TAXES AND CONTRIBUTIONS.**

CONSULTANT shall exonerate, indemnify, defend, and hold harmless the COMMISSION (which for the purpose of this Agreement shall include, without limitation, its officers, agents, employees and volunteers) from and against:

- A. Any and all claims, demands, losses, damages, defense costs, or liability of any kind or nature which COMMISSION may sustain or incur or which may be imposed upon it for injury to or death of persons, or damage to property which arise out of, pertain to, or relate to CONSULTANT'S negligence, recklessness, or willful misconduct under the terms of this Agreement. Such indemnification includes any damage to the person(s), or property(ies) of CONSULTANT and third persons.
- B. Any and all Federal, State and Local taxes, charges, fees, or contributions required to be paid with respect to CONSULTANT and CONSULTANT'S officers, employees and agents engaged in the performance of this Agreement (including, without limitation, unemployment insurance, social security and payroll tax withholding).

**6. INSURANCE.** CONSULTANT, at its sole cost and expense, for the full term of this Agreement, and any extensions thereof, shall obtain and maintain at minimum compliance with all of the following insurance coverage(s) and requirements. Such insurance coverage shall be primary coverage as respects COMMISSION and any insurance or self-insurance maintained by COMMISSION shall be excess of CONSULTANT'S insurance coverage and shall not contribute to it.

If CONSULTANT utilizes one or more subconsultants in the performance of this Agreement, CONSULTANT shall obtain and maintain Independent CONSULTANT's Insurance as to each subconsultant or otherwise provide evidence of insurance coverage from each subconsultant equivalent to that required of CONSULTANT in this Agreement.

**A. Types of Insurance and Minimum Limits**

- 1) Workers' Compensation in the minimum statutorily required coverage amounts. This insurance coverage shall not be required if the CONSULTANT has no employees and certifies to this fact by initialing here \_\_\_\_\_.
- 2) Automobile Liability Insurance for each of CONSULTANT'S vehicles used in the performance of this Agreement, including owned, non-owned (e.g. owned by CONSULTANT'S employees), leased or hired vehicles, in the minimum amount of \$1,000,000 combined single limit per occurrence for bodily injury and property damage. This insurance coverage shall not be required if vehicle use by the CONSULTANT is not a material part of performance of this Agreement and CONSULTANT and COMMISSION both certify to this fact by initialing here \_\_\_\_ / \_\_\_\_.

- 3) Comprehensive or Commercial General Liability Insurance coverage in the minimum amount of one million dollars (\$1,000,000) combined single limit (CSL), including coverage for: (a) bodily injury, (b) personal injury, (c) broad form property damage, (d) contractual liability, and (e) cross-liability.
- 4) Professional Liability Insurance in the minimum amount of one million dollars (\$1,000,000) combined single limit, if, and only if, this Subparagraph is initialed by CONSULTANT and COMMISSION \_\_\_\_ / \_\_\_\_.

**B. Other Insurance Provisions**

- 1) If any insurance coverage required in this Agreement is provided on a "Claims Made" rather than "Occurrence" form, CONSULTANT agrees to maintain the required coverage for a period of three (3) years after the expiration of this Agreement (hereinafter "post agreement coverage") and any extensions thereof. CONSULTANT may maintain the required post agreement coverage by renewal or purchase of prior acts or tail coverage. This provision is contingent upon post agreement coverage being both available and reasonably affordable in relation to the coverage provided during the term of this Agreement. For purposes of interpreting this requirement, a cost not exceeding 100% of the last annual policy premium during the term of this Agreement in order to purchase prior acts or tail coverage for post agreement coverage shall be deemed to be reasonable. The COMMISSION will not be responsible for any premiums or assessments on the policy.

- 2) All required Automobile and Comprehensive or Commercial General Liability Insurance shall be endorsed to contain the following clause:

"Santa Cruz County Regional Transportation Commission, its officials, employees, agents and volunteers are added as an additional insured as respects the operations and activities of, or on behalf of, the named insured performed under Agreement with the Commission."

- 3) All required insurance policies shall be endorsed to contain the following clause:  
"This insurance shall not be canceled until after thirty (30) days prior written notice has been given to:

**Santa Cruz County Regional Transportation Commission  
Attn: Yesenia Parra  
1523 Pacific Avenue  
Santa Cruz, CA 95060**

- 4) CONSULTANT agrees to provide its insurance broker(s) with a full copy of these insurance provisions and provide COMMISSION on or before the effective date of this Agreement with Certificates of Insurance for all required coverages. All Certificates of Insurance shall be delivered or sent to:

**Santa Cruz County Regional Transportation Commission  
Attn: Yesenia Parra  
1523 Pacific Avenue  
Santa Cruz, CA 95060**

- 5) The CONSULTANT agrees that the insurance herein provided for, shall be in effect at all times during the term of this contract. In the event said insurance coverage expires at any time or times during the term of this contract, the CONSULTANT agrees to provide at least thirty (30) days prior notice to said expiration date; and a new Certificate of Insurance evidencing insurance coverage as provided for herein, for not less than either the remainder of the term of the contract, or for a period of not less than one (1) year. New Certificates of Insurance are subject to the approval of the COMMISSION. In the event the CONSULTANT fails to keep in effect at all times insurance

coverage as herein provided, the COMMISSION may, in addition to any other remedies it may have, terminate this Agreement upon occurrence of such event.

- 6) If any insurance policy of CONSULTANT required by this document includes language conditioning the insurer's legal obligation to defend or indemnify COMMISSION on the performance of any act(s) by the named insured, then said insurance policy, by endorsement, shall also name the COMMISSION as a named insured. Notwithstanding the foregoing, both the CONSULTANT and its insurers agree that by naming the COMMISSION as a named insured, the COMMISSION may at its sole direction, but is not obligated to, perform any act required by the named insured under said insurance policies.
- 7) CONSULTANT shall do all things required to be performed by it pursuant to its insurance policies including but not limited to paying within five (5) work days, all deductibles and self-insured retentions (SIR) required to be paid under any insurance policy that may provide defense or indemnity coverage to COMMISSION or any additional insured.
- 8) CONSULTANT shall cause the foregoing provisions to be inserted in all subcontracts for any work covered under this Agreement by a subconsultant compensated more than \$50,000 and employing more than fifteen (15) employees, provided that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

7. **FEDERAL, STATE AND LOCAL LAWS.** CONSULTANT warrants that in the performance of this Agreement, it shall exercise usual and customary professional care in its efforts to comply with all applicable federal, state and local laws, statutes and ordinances and all lawful orders, rules and regulations promulgated thereunder. In the event of a conflict between the laws and lawful regulations of any government entities having jurisdiction over the project, the CONSULTANT shall notify COMMISSION of the nature and impact of such conflict. The COMMISSION agrees to cooperate and work with the CONSULTANT in an effort to resolve any conflict.

8. **EQUAL EMPLOYMENT OPPORTUNITY.** During and in relation to the performance of this Agreement, CONSULTANT agrees to the following:

The CONSULTANT shall not discriminate or permit discrimination against any employee or applicant for employment in any manner prohibited by Federal, State and local laws, including but not limited to race, color, gender, religion, national origin, ancestry, physical or mental disability, medical condition, marital status, sexual orientation, age (over 18), veteran status, pregnancy, or any other non-merit factor unrelated to job duties.

Such action shall include, but not be limited to, the following: recruitment; advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training (including apprenticeship), employment, upgrading, demotion, or transfer. The CONSULTANT agrees to post in conspicuous places, available to employees and applicants for employment, notice setting forth the provisions of this non-discrimination clause.

CONSULTANT shall comply fully with all federal, State and local laws and regulations which prohibit discrimination. The CONSULTANT's signature affixed herein, and dated, shall constitute a certification under penalty of perjury under the laws of the State of California that the CONSULTANT has, unless exempt, complied with, the nondiscrimination program requirements of Government Code Section 12990 and Title 2, California Administrative Code, Section 8103.



In the event of CONSULTANT'S non-compliance with the non-discrimination clauses of this Agreement or with any of the said rules, regulations or orders the COMMISSION may cancel, terminate or suspend the Agreement in whole or in part. CONSULTANT may also be declared ineligible for further agreements with the COMMISSION.

9. **HARASSMENT.** The COMMISSION maintains a strict policy prohibiting unlawful harassment, including sexual harassment, in any form, including verbal, physical and visual harassment by any employee, supervisor, manager, officer or Board member, or agent of the employer. Vendors, CONSULTANTS, and consultants shall not engage in conduct that has an effect of unreasonably interfering with a COMMISSION employee's work performance or creates an intimidating, hostile or offensive work environment.
10. **LICENSES.** If a license of any kind is required of CONSULTANT, its employees, agents, or sub CONSULTANTS by Federal or State law, CONSULTANT warrants that such license has been obtained, is valid and in good standing, that CONSULTANT shall keep it in effect at all times during the terms of this Agreement, and that any applicable bond has been posted in accordance with all applicable laws and regulations.
11. **INDEPENDENT CONSULTANT STATUS.** CONSULTANT and COMMISSION have reviewed and considered the principal test and secondary factors herein and agree that CONSULTANT is an independent CONSULTANT and not an employee of COMMISSION. CONSULTANT is responsible for all insurance (workers compensation, unemployment, etc.) and all payroll related taxes. CONSULTANT is not entitled to any employee benefits. COMMISSION agrees that CONSULTANT shall have the right to control the manner and means of accomplishing the result contracted for herein.

**PRINCIPAL TEST:** The CONSULTANT rather than COMMISSION has the right to control the manner and means of accomplishing the result contracted for.

**SECONDARY FACTORS:** (a) The extent of control which, by agreement, COMMISSION may exercise over the details of the work is slight rather than substantial; (b) CONSULTANT is engaged in a distinct occupation or business; (c) In the locality, the work to be done by CONSULTANT is usually done by a specialist without supervision, rather than under the direction of an employer; (d) The skill required in the particular occupation is substantial rather than slight; (e) The CONSULTANT rather than the COMMISSION supplies the instrumentalities, tools and work place; (f) The length of time for which CONSULTANT is engaged is of limited duration rather than indefinite; (g) The method of payment of CONSULTANT is by the job rather than by the time; (h) The work is part of a special or permissive activity, program, or project, rather than part of the regular business of COMMISSION; (i) CONSULTANT and COMMISSION believe they are creating an independent CONSULTANT relationship rather than an employer-employee relationship; and (j) The COMMISSION conducts public business.

It is recognized that it is not necessary that all secondary factors support creation of an independent CONSULTANT relationship, but rather that overall there are significant secondary factors which indicate that CONSULTANT is an independent CONSULTANT.

By their signatures to this Agreement, each of the undersigned certifies that it is his or her considered judgment that the CONSULTANT engaged under this Agreement is in fact an independent CONSULTANT.

12. **RETENTION AND AUDIT OF RECORDS.** For the purpose of determining compliance with Public Contract Code 10115, et seq. and Title 21, California Code of Regulations, Chapter 21, Section 2500 et seq., if applicable and other matters connected with the performance of the contract pursuant to Government Code 8546.7: CONSULTANT, subconsultants, and the COMMISSION shall maintain all books, documents, papers, accounting records, and other evidence pertaining to the performance of the contract, including but

not limited to, the costs of administering the Agreement. All parties shall make such materials available at their respective offices at all reasonable times during the Agreement period and for five (5) years from the date of final payment under this Agreement or until a final audit report is accepted by COMMISSION, whichever occurs first. The COMMISSION and any state or federal auditor, or any duly authorized representative of the state or federal government shall have access to any books, records, and documents of the CONSULTANT that are pertinent to the Agreement for audit, examinations, excerpts, and transactions, and copies thereof shall be furnished if requested.

Subcontracts in excess of \$25,000 shall contain this provision.

**13. INSPECTION OF WORK**

The CONSULTANT and any subconsultant shall permit the COMMISSION, the state, and the FHWA if federal participating funds are used in this contract, to review and inspect the project activities and files at all reasonable times during the term of this Agreement including review and inspection on a daily basis.

**14. ACKNOWLEDGMENT**. CONSULTANT shall acknowledge in all reports and literature that the material is prepared for and on behalf of the COMMISSION.

**15. WORK PRODUCTS**. All material, data, information, and written, graphic or other work produced under this Agreement is subject to the unqualified and unconditional right of the COMMISSION to use, reproduce, publish, display, and make derivative use of all such work, or any part of it, free of charge and in any manner and for any purpose; and to authorize others to do so. If any of the work is subject to copyright, trademark, service mark, or patent, CONSULTANT now grants to the COMMISSION a perpetual, royalty-free, nonexclusive and irrevocable license to use, reproduce, publish, use in the creation of derivative works, and display and perform the work, or any part of it, and to grant to any third party a comparable and coextensive sublicense.

CONSULTANT shall include in any subcontract with a third party for work under this Agreement terms that preserve the rights, interests, and obligations created by this Section, and that identify the COMMISSION as a third-party beneficiary of those provisions.

The CONSULTANT shall not utilize the work produced under this Agreement for any profit-making venture, or sell or grant rights to a third party for that purpose.

- A. Upon completion of all work under this contract, ownership and title to all custom letters, reports, documents, plans, specifications, and estimates and other products produced as part of this Agreement (herein "deliverables") will automatically be vested in the COMMISSION; and no further agreement will be necessary to transfer ownership to the COMMISSION. The CONSULTANT shall furnish the COMMISSION all necessary copies of data needed to complete the review and approval process. Copies may be made for CONSULTANT's records but shall not be furnished to others without the COMMISSION's prior written authorization. Such deliverables shall be deemed works made for hire and all rights in copyright therein shall be retained by COMMISSION. All information derived from these deliverables is deemed confidential and may not be disclosed to any other party without the express prior written consent of COMMISSION. No information obtained during audit work performed under this Agreement may be used by CONSULTANT for any purpose (internal or external), nor may the information be discussed with others without the prior written consent of COMMISSION.
- B. Any subcontract in excess of \$25,000 entered into as a result of this contract, shall contain all of the provisions of this Section.

**16. SAFETY**

- A. The CONSULTANT shall comply with OSHA regulations applicable to CONSULTANT regarding necessary safety equipment or procedures. The CONSULTANT shall comply with safety instructions issued by the COMMISSION Safety Officer and other COMMISSION representatives. CONSULTANT personnel shall wear hard hats and safety vests at all times while working on the Santa Cruz Branch Rail Line.
- B. Areas within the limits of the project are open to public and private traffic. The CONSULTANT shall comply with all of the requirements set forth in Divisions 11, 12, 13, 14, and 15 of the Vehicle Code. The CONSULTANT shall take all reasonably necessary precautions for safe operation of its vehicles and the protection of the traveling public from injury and damage from such vehicles.
- C. Any subcontract entered into as a result of this contract, shall contain all of the provisions of this Section.

**17. MODIFICATION OF AGREEMENT.**

- A. This Agreement may be amended or modified only by mutual written agreement of the parties.
- B. The CONSULTANT shall only commence work covered by an amendment after the amendment is executed and notification to proceed has been provided by the COMMISSION's Contract Manager.
- C. There shall be no change in the CONSULTANT's Project Manager or members of the project team, as listed in the approved Fee Schedule, which is a part of this Agreement without prior written approval by the COMMISSION's Contract Manager.
- D. No oral understanding or agreement not incorporated herein shall be binding on the parties.

**18. DISPUTES.** This Agreement shall be construed under the laws of the State of California. Pending final resolution of a dispute hereunder, CONSULTANT shall proceed diligently with the performance of this Agreement and shall comply with COMMISSION's instructions.

- A. Any dispute, other than audit, concerning a question of fact arising under this Agreement that is not disposed of by agreement shall be decided by a committee consisting of the COMMISSION's Contract Manager and Executive Director, who shall consider written or verbal information submitted by the CONSULTANT.
- B. Not later than 30 days after completion of all deliverables necessary to complete the plans, specifications and estimate, the CONSULTANT may request review by the COMMISSION GOVERNING BOARD of unresolved claims or disputes, other than audit. The request for review must be submitted in writing.
- C. Neither the pendency of a dispute, nor its consideration by the committee will excuse the CONSULTANT from full and timely performance in accordance with the terms of this contract.

**19. AUDIT REVIEW PROCEDURES**

- A. Any dispute concerning a question of fact arising under an interim or post-completion audit of this Agreement that is not disposed of by agreement, shall be reviewed by the COMMISSION'S Contract Manager.
- B. Not later than 30 days after issuance of the final audit report, the CONSULTANT may request a review by the COMMISSION'S Executive Director of unresolved audit issues. The request for review will be submitted in writing.
- C. Neither the pendency of a dispute nor its consideration by the COMMISSION will excuse the CONSULTANT from full and timely performance, in accordance with the terms of this contract.

**20. SUBCONTRACTING**

- A. The CONSULTANT shall perform the work contemplated with resources available within its own organization; and no portion of the work pertinent to this Agreement shall be subcontracted without prior written authorization by the COMMISSION'S Contract Manager, except that, which is expressly identified in the approved Fee Schedule.

- B. Any subcontract in excess of \$25,000 entered into as a result of this contract, shall contain all the provisions required by this Agreement to be applicable to those subconsultants.
- C. No substitution of subconsultants shall be valid until approved in writing by the COMMISSION's Contract Manager.

21. **NONASSIGNMENT.** The CONSULTANT shall not assign the Agreement without the prior written consent of the COMMISSION.

22. **REBATES, KICKBACKS OR OTHER UNLAWFUL CONSIDERATION.** The CONSULTANT warrants that this Agreement was not obtained or secured through rebates kickbacks or other unlawful consideration, either promised or paid to any COMMISSION employee. For breach or violation of this warranty, COMMISSION shall have the right in its discretion to terminate the Agreement without liability; to pay only for the value of the work actually performed; or to deduct from the contract price; or otherwise recover the full amount of such rebate, kickback or other unlawful consideration.

23. **NOTIFICATION.** All notices hereunder and communications regarding interpretation of the terms of this Agreement and changes thereto, shall be effected by the mailing thereof by registered or certified mail, return receipt requested, postage prepaid, and addressed as follows:

CONSULTANT:

\_\_\_\_\_  
(CONSULTANT)  
\_\_\_\_\_  
(NAME), Project Manager  
\_\_\_\_\_  
(ADDRESS)

COMMISSION:

Santa Cruz County Regional Transportation Commission (SCCRTC)  
Luis Mendez, Contract Manager  
1523 Pacific Ave, Santa Cruz, CA 95060

24. **COMPLETE AGREEMENT**

- A. **AGREEMENT:** The two parties to this Agreement, who are the before named CONSULTANT and the before named COMMISSION, hereby agree that this Agreement constitutes the entire Agreement which is made and concluded in duplicate between the two parties. Both of these parties for and in consideration of the payments to made, conditions mentioned, and work to be performed; each agree to diligently perform in accordance with the terms and conditions of this Agreement as evidenced by the signatures below.
- B. **COMMISSION DESIGNEE:** The Executive Director of COMMISSION, or his or her designee, shall have the authority to act for and exercise any of the rights of COMMISSION as set forth in this Agreement subsequent to, and in accordance with the authorization granted by the COMMISSION.
- C. **COMPLETE AGREEMENT, INCLUDING ATTACHMENTS.** This Agreement includes all exhibits, attachments, and documents incorporated herein and made applicable by reference, constitutes the complete and exclusive statement of the terms and conditions of the Agreement between COMMISSION and CONSULTANT, and supersedes all prior representations, understandings and communications. The invalidity in whole or in part of any term or condition of this Agreement shall not affect the validity of other terms or conditions. The COMMISSION's waiver of CONSULTANT's performance of any term(s) or condition(s) of this Agreement shall not be construed as a waiver for any future performance of such term(s) or conditions(s)
- D. Attachments are:
  - Exhibit A: Scope of Services

- Exhibit B: Fee Schedule

Each of the undersigned represents and warrants that he or she is duly authorized to execute and deliver this Agreement and that such execution is binding upon the entity for which he or she is executing this document.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement No. \_\_\_\_\_ to be executed on the date first written above.

**1. CONSULTANT**

By: \_\_\_\_\_  
 SIGNED  
 \_\_\_\_\_  
 PRINTED

Company Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 Telephone: (     ) \_\_\_\_\_  
 Fax: (     ) \_\_\_\_\_  
 Email: \_\_\_\_\_

**2. SANTA CRUZ COUNTY REGIONAL  
 TRANSPORTATION COMMISSION**

By: \_\_\_\_\_  
 SIGNED  
 \_\_\_\_\_  
 PRINTED

**3. APPROVED AS TO INSURANCE:**

\_\_\_\_\_  
 Administrative Services Officer

**4. APPROVED AS TO FORM:**

\_\_\_\_\_  
 COMMISSION Counsel

**DISTRIBUTION:**

- *RTC Fiscal & Contract Manager*
- *CONSULTANT*

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