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**ROCKVILLE, MARYLAND  
CONSTRUCTION CONTRACT**

**WATER MAIN REHABILITATION**

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This **CONSTRUCTION CONTRACT** (this “**Construction Contract**”) is entered into as of this \_\_\_\_\_ day of \_\_\_\_\_ 2026 (the “**Effective Date**”) by and between **THE MAYOR AND COUNCIL OF ROCKVILLE**, a Maryland municipal corporation and body corporate, acting by and through its City Manager (the “**Mayor and Council**” or “**City**”), and **SAGRES CONSTRUCTION CORPORATION**, a Virginia corporation (the “**Contractor**”). Individually, the Mayor and Council and the Contractor may each be referred to hereinafter as the “**Party**,” or collectively as the “**Parties**.”

**RECITALS**

- A. **WHEREAS**, the Mayor and Council is a municipal corporation duly organized and existing under the laws of the State of Maryland with the power to carry on its business as it is now being conducted under the laws of the State of Maryland and the Rockville City Charter; and
- B. **WHEREAS**, the Contractor is a corporation duly organized and in good standing in the state of Maryland, authorized to conduct business in the State of Maryland, and has the background, knowledge, experience and expertise to perform the obligations set forth in this Construction Contract; and
- C. **WHEREAS**, the Mayor and Council desires to procure, on behalf of the Department of Public Works, labor, materials, equipment, tools, and services for a collection of various water main rehabilitation projects throughout the City of Rockville and other associated work on a pre-scheduled basis and as needs arise as it serves the best interest of the City; and
- D. **WHEREAS**, in accordance with the City of Rockville Procurement Ordinance, on July 7, 2025, the Department of Procurement issued IFB #26-25 for water main rehabilitation and associated work; and
- E. **WHEREAS**, in accordance with the Procurement Ordinance, on September 3, 2025, the Department of Procurement opened and recorded the sealed bids submitted in response to IFB #26-25, including the bid submitted by Contractor, and on November 20, 2025, in accordance with the Procurement Ordinance, the Department of Procurement determined Contractor to be among the two lowest responsive and responsible bidders; and
- F. **WHEREAS**, on April 1, 2026, Contractor agreed to extend its bid and pricing through June 30, 2026; and
- G. **WHEREAS**, on [REDACTED], 2026, in accordance with Section 17-39(a) of the Procurement Ordinance, the Mayor and Council authorized the expenditure of a total amount not to exceed twenty-five million dollars for work to be performed under IFB 26-25, such amount to be allocated between Contractor and a second contractor; and
- H. **WHEREAS**, on [REDACTED], 2026, in accordance with Section 17-39(a) of the Procurement Ordinance, the Mayor and Council awarded this Construction Contract to the Contractor for the provision of certain construction and other services as identified in the Contract Documents pursuant to the following terms and conditions, and authorized the City Manager to execute this Construction Contract on its behalf, subject to approval as to legal form by the City Attorney.

NOW, THEREFORE, IN CONSIDERATION of the foregoing and the covenants, warranties and agreements of the Parties hereto, as are hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged by each Party hereto, the Parties hereby agree as follows:

## ARTICLE I INCORPORATION OF RECITALS; DEFINITIONS

**Section 1.01. Incorporation of Recitals.** The foregoing recitals above and documents referenced herein are an integral part of this Construction Contract and set forth the intentions of the Parties and the premises on which the Parties have decided to enter into this Construction Contract. Accordingly, the foregoing recitals are fully incorporated into this Construction Contract by this reference as if fully set forth herein. In the event of any conflict between this Construction Contract and any documents referenced herein, the terms of this Construction Contract shall govern and control.

**Section 1.02. Definitions.** In addition to other terms defined herein, each of the following terms shall have the meaning assigned to it, such definitions to be applicable equally to the singular and the plural forms of such terms and to all genders:

***“Applicable Code Requirements”*** means all federal, State of Maryland, Montgomery County and City of Rockville laws, statutes, building codes, ordinances and regulations of governmental authorities having jurisdiction over a Project, Work, Site, Contractor or City.

***“Applications for Payment”*** means detailed applications for payment submitted on a standard form such as the AIA G702 form, as required by Paragraph 75 of the General Conditions and Instructions to Bidders in IFB #26-25. Applications for Payment shall not include payment for equipment or materials delivered to a Site but not installed or for materials or equipment properly stored off-site unless specifically approved by the Project Administrator. If such approval is granted, the Contractor must submit with the Application for Payment, bills of sale or other such documentation satisfactory to the City to establish the City’s title to such materials or equipment or otherwise to protect the City’s interest, including applicable insurance and transportation to a Site for materials and equipment stored off site. Such approvals are typically reserved for “big ticket” items that individually would exceed five percent (5%) of the bid total.

***“Chief of Construction Management”*** means the person designated as the Chief of Construction Management by the Director of the City’s Department of Public Works.

***“City of Rockville Change Order”*** means a duly authorized instrument issued by the Purchasing Agent or her authorized designee in accordance with the Procurement Ordinance which operates to amend the scope of Work, and which may also amend the Contract Sum or the Contract Time.

***“City of Rockville Notice to Proceed”*** means the written notice issued by the Purchasing Agent or her authorized designee in accordance with the Procurement Ordinance to the Contractor to begin the Work.

***“Contract Documents”*** means and consists of the following documents, which are on file with the City Department of Procurement and are hereby incorporated into this Construction Contract as though fully restated by reference:

1. City of Rockville Change Order

2. Construction Contract
3. IFB #26-25 – Addenda #1, #2, #3, and #4
4. IFB #26-25 – General Terms, Conditions, and Instructions to Bidders
5. IFB #26-25 – Special Provisions, including Maryland Department of Environment Required Notes for Water Main Rehabilitation
6. IFB #26-25 – Technical Specifications
7. City of Rockville Work Authorization Letter
8. IFB#26-25 – City of Rockville Standard Details, available at <https://www.rockvillemd.gov/services/construction-standards-and-details/>
9. IFB #26-25 – Appendices, Announcement, Description and General Information
10. Contractor Bid
11. City of Rockville Purchase Order
12. Performance, Payment and Warranty Bonds

For purposes of construing, interpreting and resolving inconsistencies between and among the provisions of this Construction Contract, the Contract Documents shall have the order of precedence as set forth above. If a claimed inconsistency cannot be resolved through the order of precedence, the City Manager shall have the sole power to decide which document or provision shall govern as may be in the best interests of the City.

**“Contractor”** means Sagres Construction Corporation, a corporation in good standing organized under the laws of Virginia.

**“Contract Sum”** means the total amount of compensation provided for in Article III that is payable to the Contractor for the performance of the Work in accordance with the Contract Documents, including adjustments made by a City of Rockville Change Order.

**“Contract Time”** means the total number of days set forth in this Construction Contract or an associated Work Authorization Letter within which Final Completion of the Work must be achieved by Contractor, including any adjustments of time (increases or decreases) made by a City of Rockville Change Order.

**“Day”** whether capitalized or not, unless otherwise specifically provided, means calendar day, including weekends and legal holidays.

**“Delay”** means, whether capitalized or not, any circumstances involving disruption, hindrance, or interference in the performance of the Work within the Contract Time.

**“Department of Procurement”** means the City’s Department of Procurement.

**“Department of Public Works”** means the City’s Department of Public Works.

**“Extra Work”** means additional Work or costs due to a change in the Work that is not described in or reasonably inferable from the Contract Documents which may be the basis for an adjustment of the Contract Sum under the terms of the Contract Documents. Extra Work shall not include additional Work or costs arising from Contractor’s failure to perform any of its duties or obligations under the Contract Documents.

**“Final Completion”** means the final and full completion of all Work required by the Contract Documents pursuant to a Work Authorization Letter, including all punch list items and submission of all Record Documents, to the satisfaction of the City Manager or his written designee, pursuant to Article II.

**“IFB #26-25”** means the Invitation for Bids #26-25 issued by the Department of Procurement on July 7, 2025.

**“Losses”** means the losses or costs that directly results from a breach of this Construction Contract.

**“Procurement Ordinance”** means Chapter 17 of the Rockville City Code, as amended.

**“Project”** means the cumulative water main rehabilitation and associated work referenced in IFB #26-25 at the rates represented on the Contractor’s Bid and to be described with more particularity in one or more Work Authorization Letters.

**“Project Administrator”** means the Project Administrator identified in Section 2.02 of this Construction Contract, or such other City staff person as may be designated by the Director of the City’s Department of Public Works to supervise a Project.

**“Purchasing Agent”** means the person designated as purchasing agent pursuant to the Procurement Ordinance.

**“Record Documents”** means the warranties, guarantees and other documents required to be submitted by Contractor as a condition of Final Compensation.

**“Site”** means the physical site or sites identified in a Work Authorization letter where a Project is to be constructed, including all adjacent areas for staging, storage, parking and temporary offices.

**“Substantial Completion”** means a Project has been substantially completed to permit utilization of the Project, or a substantial portion thereof, by the City for the Project’s intended purpose, pursuant to Paragraph 80 of the General Conditions and Instructions to Bidders in IFB #26-25.

**“Work”** means all labor, materials, equipment, servicers, permits, fees, licenses and taxes, and all other things necessary for the Contractor to perform its obligations and complete a Project, including without limitation, any changes or additions requested by the City, in accordance with the Contract Documents and all Applicable Code Requirements.

**“Work Authorization Letter”** means a written notice provided by the City to the Contractor of work to be completed in accordance with Construction Contract terms. The Work Authorization Letter will describe the project, specify the date, time, and location of the preconstruction meeting, establish the construction schedule (start and end), include a set of construction drawings and provide the name of the approved material supplier.

**“Working Day”** means any calendar day other than Saturday, Sunday, or the following holidays as observed by the City of Rockville: New Year's Day, Martin Luther King's Birthday, President's Day, Memorial Day, Juneteenth, Independence Day, Labor Day, Veterans' Day, Thanksgiving Day, Thanksgiving Friday, Christmas Day, and all days of general and congressional elections throughout the State of Maryland.

**Section 1.03. General.** Any other capitalized term to which a meaning is expressly given in this Construction Contract shall have the meaning assigned to it, such definitions to be applicable equally to the singular and the plural forms of such terms and to all genders. The defined terms used in the preamble and recitals of this Construction Contract have been included for convenience of reference only, and the meaning, construction and interpretation of all defined terms shall be determined by reference to this Article I notwithstanding any contrary definition in the preamble or recitals hereof. The titles and headings of the sections of this Construction Contract have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Construction Contract or any provision hereof or in ascertaining intent, if any question of intent shall arise.

*End of Article I*

**ARTICLE II**  
**TERM, PERFORMANCE OF WORK AND COMPLETION OF PROJECT**

**Section 2.01. Contract Term.** The term of this Construction Contract shall begin on the Effective Date and shall expire after one (1) year. The City reserves the right to extend this Construction Contract for a period of up to twelve (12) additional months and to renew the Contract for up to four (4) additional one (1) year periods, by notifying Contractor of such extension or renewal and confirmation of pricing in writing at least 60 days before the end of the term of this Contract and subject to Mayor and Council appropriation of adequate funds.

**Section 2.02. Project Administrators.** The following staff member of the Public Works Department is the City’s designated “**Project Administrator**”:

Gina Arnett, P.E. – Senior Civil Engineer  
[garnett@rockvillemd.gov](mailto:garnett@rockvillemd.gov); 240-314-8517

It shall be the Contractor’s responsibility to ensure that the applicable Project Administrator is kept informed on the progress of a Project described in the Notice to Proceed submitted by that Project Administrator. The City Manager or designee may modify the designated Project Administrators by notifying the Contractor in writing of any such modification.

**Section 2.03. Work.** Contractor herein is among a call list of contractors to perform Work as needed at agreed prices. There is no guarantee of Work under this Contract. The City has elected not to designate a primary Contractor and reserves the right to schedule Work with any or all of selected Contractors at the sole discretion of the City as it serves the best interest of the City. Just as there is no guarantee of Work, Contractor is not required to accept a Work Authorization Letter. Contractor may decline a Work Authorization Letter without risk of being removed from the call list.

**Section 2.04. Performance of Work.** The Contractor agrees to perform all Work required for Final Completion of a Project, as specified in the Contract Documents and any associated Work Authorization Letter. The Contractor shall provide, furnish, and supply all things necessary and incidental for the timely performance of the Work, including, but not limited to, provision of all necessary labor, materials, equipment, transportation, and utilities, unless otherwise specified in the Contract Documents. Contractor also agrees to use its best efforts to complete the Work in a professional and expeditious manner and to meet or exceed the performance standards required by the Contract Documents.

**Section 2.05. Progress and Completion.**

(a) **Time is of the Essence.** Time is of the essence with respect to all time limits set forth in the Contract Documents.

(b) **Work Schedule.** The City shall request the performance of a Project under this Contract as follows:

- (i) The City will send the Contractor water main design drawings and a budget sheet with estimated pay items and material quantities for a Project.
- (ii) The Contractor will acknowledge receipt within 48 hours of the date of the City’s transmittal of the design drawings and budget sheet.

- (iii) Within ten (10) days of receipt of the City's design drawings and budget sheet, the Contractor will notify the City in writing of its acceptance or rejection of the Project proposed by the design drawings and budget sheet.
  - (iv) If the Contractor accepts the Project, within twenty-one (21) days of receipt of the City's design drawings and budget sheet, the Contractor will obtain three material quotes, establish a project schedule, and prepare bypass and phasing plans for the Project.
  - (v) The City will accept or reject the Contractor's proposal. If the City accepts the Contractor's proposal, the City will issue a Work Authorization Letter and will attach the approved budget sheet establishing the Project cost.
  - (vi) After issuance of a Work Authorization Letter, the City will issue a Purchase Order that shall serve as the Contractor's notice to proceed for the Project.
  - (vii) Contractor shall, subject to any extension of time in accordance with the provisions of this Construction Contract, achieve Final Completion of a Project within the timeframe indicated in the Work Authorization Letter
    - A. Any work performed outside the scope of a Work Authorization Letter is at the Contractor's risk and faces the probability of delayed or denied payment.
    - B. Any agreements or stipulations in a request for services or response that are contrary to the terms of this Agreement shall be void unless the Parties have expressly agreed in writing that such agreement shall supersede the terms of this Agreement.
- (c) Work Progress.
- (i) Contractor shall proceed expeditiously with adequate forces and shall achieve Final Completion within the Contract Time.
  - (ii) If City determines and notifies Contractor that Contractor's progress is such that Contractor will not complete the Work within the Contract Time, Contractor shall, immediately and at no additional cost to City, take all measures necessary, including working such overtime and additional shifts (other than the City's permitted construction work hours of 7:00 AM to 5:00 PM, Monday through Friday), to ensure that the Work is Substantially Completed within the Contract Time. Upon receipt of such notice from City, Contractor shall immediately respond in writing setting forth a detailed plan for accelerating the Work in a manner acceptable to City. Contractor shall not be entitled to any reimbursement or payment of costs, expenses or damages incurred as a result of an acceleration of the Work. City may also take all necessary measures to prevent the need for subsequent accelerations of the Work. Contractor shall reimburse City, or City may withhold from payment due to Contractor, sums expended by City to perform such measures.

- (iii) During unfavorable weather, wet ground or other unsuitable construction conditions, Contractor shall confine the operations to Work that will not be affected adversely by such conditions. No portion of the Work shall be constructed under conditions which would affect adversely the quality thereof, unless special means or precautions are taken by Contractor to perform the Work in a proper and satisfactory manner.

(d) Delay.

(i) If the Contractor is delayed in the Work by any act of neglect of the City or by a separate contractor employed by the City, or by any changes, strikes, lockouts, fires, unusual delays in transportation or delay authorized by the City, the City shall review the cause of such delay and shall make an extension of time if warranted. All claims for extensions must be made by written notice sent to the Project Administrator within ten (10) Days after the date when the alleged cause for the extension of time occurred. All such claims shall state specifically the amount of time of the delay the Contractor believes to have suffered. If the Project Administrator does not receive such written notice within the prescribed time, the claim for extension of time shall be forfeited and invalidated. No extension of time shall be deemed granted unless the Project Administrator expressly grants an extension of time by written notice to the Contractor.

(ii) By executing this Construction Contract, the Contractor expressly waives any claim for extra monetary compensation for delays, whether ordered by the City or not, caused by delays in funding, governmental approvals, private or public companies' actions, inclement weather, site conditions, or from any cause whatsoever. The Contractor shall adjust its operation to continue the work at other locations under this Construction Contract, if available, and as directed by the City. If it is necessary to discontinue the work temporarily, the Contractor shall resume work within 48 hours of notice from the City. The City may adjust the completion date to compensate for the lost day(s) on a day-for-day basis, if the City finds that the Contractor could not make up for such lost day(s) by reallocating its forces or rescheduling the work, up to the time remaining on the original schedule at the time of shutdown.

(e) Change Orders.

(i) The City, without invalidating the contract, may issue written City of Rockville Change Orders pursuant to Section 17-40 of the Procurement Ordinance. All such changes, or additional work must be authorized in writing by the Purchasing Agent or her authorized designee prior to starting such work. Costs shall be limited to the cost of materials, labor, field supervision and field office personnel directly involved in and attributed to the change. All costs and/or credits to the City for a change in the work shall be determined by the unit price bid or by mutual agreement.

(ii) The Contractor shall do all work that may be required to complete the work contemplated by a City of Rockville Change Order at the unit prices bid or at a lump sum price to be mutually agreed upon.

(iii) The Contractor shall perform Extra Work, for which there is no quantity or price included in the Contract, whenever it is deemed necessary or desirable, to complete fully the Work as modified by a City of Rockville Change Order, and such work shall be done in accordance with the

specifications therefore, or in the best workmanlike manner as directed. Where such a price or sum cannot be agreed upon by both parties, or where this method of payment is impracticable, the Project Administrator may order the Contractor to do such work on a force account basis pursuant to Paragraph 73 of the General Conditions and Instructions to Bidders in IFB #26-25.

(iv) The Contractor may submit a written request for a City of Rockville Change Order to the Project Administrator in the event the Contractor believes a City of Rockville Change Order is warranted or desirable. The City is under no obligation to issue or respond to a requested City of Rockville Change Order.

(f) Liquidated Damages. If the Contractor fails to achieve Final Completion of the Work within the Contract Time, the Mayor and Council may assess liquidated damages on a daily basis for each day of unexcused delay in achieving Final Completion, based on the amount of four hundred dollars (\$400) per Day, not including Sundays, or as otherwise specified in IFB #26-25. Liquidated damages may also be separately assessed for failure to meet milestones specified elsewhere in the Contract Documents, regardless of impact on the time for achieving Final Completion. The assessment of liquidated damages is not a penalty but considered to be a reasonable estimate of the amount of damages the Mayor and Council will suffer by delay in completion of the Work. The Mayor and Council is entitled to setoff the amount of liquidated damages assessed against any payments otherwise due to the Contractor, including, but not limited to, setoff against release of retention. If the total amount of liquidated damages assessed exceeds the amount of unreleased retention, the Mayor and Council is entitled to recover the balance from the Contractor or its sureties. Occupancy or use of a Project in whole or in part prior to Final Completion shall not operate as a waiver of City's right to assess liquidated damages.

(g) Special Damages.

(i) The Contractor shall reimburse the Mayor and Council, upon demand, for (1) any and all fines and penalties imposed on the Mayor and Council in connection with the Contractor's failure to attain Substantial Completion, Final Completion, or any other date for performance according to the Contract Time, and (2) any and all costs and expenses, including reasonable attorneys' fees, incurred by the Mayor and Council for engineering, construction observation, inspection, administrative services, or any other work or services needed or otherwise utilized or obtained after the time specified for performance.

(ii) After the Contractor achieves Substantial Completion, if the Contractor shall neglect, refuse, or fail to complete any component of the remaining Work within the Contract Time, the Contractor shall reimburse the Mayor and Council for any and all costs and expenses, including reasonable attorneys' fees, incurred by the Mayor and Council for engineering, construction observation, inspection, administrative services, or any other work or services needed or otherwise utilized or obtained after the time specified for Work to be completed and ready for final payment.

(iii) The special damages imposed in this Section are supplemental to any liquidated damages for delayed completion established in the Construction Contract.

(iv) The Mayor and Council may, but in no event be obligated to, complete all or any portion of the Work not timely performed in full by the Contractor, on behalf of the Contractor and at the Contractor's sole cost and expense. The Contractor shall, on demand, reimburse the Mayor and Council the positive difference, if any, between (i) all costs and expenses incurred by the Mayor and Council in

connection with so performing on behalf of Contractor, including reasonable attorneys' fees, and (ii) the Contract Sum.

(h) Other Remedies. The Mayor and Council is entitled to any and all available legal and equitable remedies the Mayor and Council may have where the Mayor and Council's damages are caused by any reason other than the Contractor's failure to achieve Substantial Completion or Final Completion of the entire Work within the Contract Time.

*End of Article II*

**ARTICLE III  
COMPENSATION AND PAYMENT**

**Section 3.01. Contract Sum.**

(a) The Contractor shall be compensated for Final Completion of all Projects in compliance with the Contract Documents an amount not-to-exceed **Twenty-five Million and 00/100 DOLLARS (\$25,000,000.00)** in accordance with the unit costs in the Bid Pricing Form (reproduced and attached as **Exhibit A**). Subject to the terms of this Construction Contract, any Work performed or expenses incurred for which payment would result in a total exceeding the Contract Sum shall be at no cost to the Mayor and Council.

(b) The Mayor and Council appropriates funds on a fiscal year basis; the City's fiscal year runs from July 1 through June 30. Funds have been appropriated for the first year of this Construction Contract through the end of the fiscal year, June 30, 2026. All payments made under this Construction Contract after June 30, 2026, are contingent upon appropriation and encumbrance of funds. If the Mayor and Council fails to approve an appropriation to fund this Construction Contract for a subsequent fiscal year, the Mayor and Council may terminate this Construction Contract without further cost to the City by providing notice of such termination in writing to Contractor within thirty (30) days of the first day of that subsequent fiscal year.

**Section 3.02. Payment Procedures.**

(a) Applications for Payment.

(i) The Contractor shall submit to the Project Administrator an Application for Payment for all Work performed, including tasks and deliverables completed, and expenses incurred during the preceding month. The Application for Payment must be accompanied by supporting data and documents substantiating the Contractor's right to payment and reflecting a five percent (5%) retainage, where retainage is required by the Chief of Construction Management.

(ii) The Project Administrator will independently review the Applications for Payment submitted by the Contractor to determine whether the Work performed and expenses incurred are in compliance with the provisions of the Contract Documents. Except as to any charges for Work performed or expenses incurred by the Contractor which are disputed by the City, the City will use its best efforts to cause the Contractor to be paid within thirty (30) days of receipt the Contractor's correct and undisputed Application for Payment. In the event any charges or expenses are disputed by the City, the original Application for Payment shall be returned by the City to the Contractor for correction and resubmission.

(iii) The Contractor shall submit a detailed invoice for payment at the end of each month for all work completed and accepted by the City during that month as follows:

Dan Stevens – Chief of Construction Management  
Department of Public Works  
850 Avery Road  
Rockville, MD 20851  
Telephone 240-314-8552  
Email: dstevens@rockvillemd.gov

No retainage will be withheld from monthly payments unless deemed necessary by the Chief of Construction Management. Should the Contractor fail to keep up with clean-up and restoration work, if deemed necessary by the Chief of Construction Management, 5 percent (5%) of each monthly payment will be withheld until the Contractor shows progress in keeping up with restoration and clean-up work.

(iv) *Electronic Payment Option.* The City’s Vendor ACH Payment Program allows payments to be deposited directly into a designated financial institution account. Funds will be deposited into the account identified automatically and on time. There is no additional cost to participate. All transactions are conducted in a secure environment.

(v) *Payment to Subcontractor.*

A. Within seven (7) days after receipt of amounts paid by the City for work performed by a subcontractor under this Construction Contract, the Contractor shall either: (A) pay the subcontractor for the proportionate share of the total payment received from the City attributable to the work performed by the subcontractor under this Construction Contract; or (B) notify the City and the subcontractor, in writing, of the Contractor’s intention to withhold all or a part of the subcontractor’s payment and the reason for non-payment. In no event shall the City be liable for the Contractor’s failure to pay a subcontractor. It is the Contractor's responsibility to ensure that no lien for work performed by the Contractor or subcontractor is placed on the City.

B. The Mayor and Council may make or withhold progress payments pursuant to Paragraph 75 of the General Conditions and Instructions to Bidders in IFB #26-25, or as otherwise provided in IFB #26-25.

C. The Contractor shall promptly pay each subcontractor and supplier for work completed upon receipt of payment from the City the amount to which said subcontractor is entitled, reflecting any percentage retained from payments to the Contractor on account of each subcontractor’s work. The Contractor shall, by an appropriate agreement with each subcontractor, require each subcontractor to make prompt payments to his subcontractors in a similar manner. The City shall be under no obligation to pay or to see to the payment of any moneys to any subcontractor except as may otherwise be required by law.

(b) Final Payment.

(i) Upon reaching Substantial Completion for each Projects pursuant to the terms of a Work Authorization Letter, the Contractor may submit a final Application for Final Payment pursuant to Paragraph 76 of the General Conditions and Instructions to Bidders in IFB #26-25.

(ii) No retainage will be withheld from payment unless deemed necessary by the Chief of Construction Management.

(iii) Within thirty (30) Days after the approval of the final payment request, the City will pay to the Contractor the amount remaining after deducting from the total amount of the final

estimate all such sums as have hereto before been paid to the Contractor under the provision of the Contract and also such amounts as the City has or may be authorized under the Contract to reserve or retain.

(iv) Neither the final payment nor the remaining retainage shall become due until the Contractor submits to the Project Administrator:

A. An affidavit that all payrolls, bills for materials and equipment and other indebtedness connected with the work for which the City or his property might in any way be responsible, have been paid;

B. Consent of surety to final payment;

C. If requested, data establishing payment or satisfaction of obligations, such as receipt, release and waivers of liens arising out of the Contract; and

D. All punch list items are completed to the satisfaction of the Project Administrator.

(v) If any subcontractor refuses to furnish a release or waiver of liens required by the City, the Contractor may furnish a bond satisfactory to the City to indemnify him against any such lien. If any such lien remains unsatisfied after all payments are made, the Contractor shall refund to the City all moneys that the latter may be compelled to pay in discharging such lien, including all costs and reasonable attorney fees.

(vi) All guarantees and warranties required by this Construction Contract shall be furnished by the Contractor and shall be delivered to the Project Administrator before final payment is made.

(vii) Acceptance by the Contractor of final payment shall operate as a release to the Mayor and Council and every officer and agent thereof, from all claims and liabilities to the Contractor for anything done or furnished or relating to the work under the Contract Documents.

(c) Release of Retainage. Upon the expiration of one hundred and twenty (120) Days succeeding the date of the City's acceptance of the Work and subject to the conditions for release of retainage in Paragraph 76 of the General Conditions and Instructions to Bidders in IFB #26-25, the City will pay to the Contractor all sums reserved or retained, less such amount as it may be empowered under the provisions of the Contract to retain.

**Section 3.03. Waiver.** Payment to the Contractor for Work performed and expenses incurred for pursuant to this Construction Contract shall not be deemed to waive defects in the Work performed by the Contractor.

**Section 3.04. Errors and Omissions.** The Contractor is solely responsible for costs, including, but not limited to, increases in the cost of performing the Work, arising from or caused by the Contractor's errors and omissions, as applicable, including, but not limited to, the costs of corrections of such errors and omissions, any change order markup costs, or costs arising from delay caused by the errors and omissions or unreasonable delay in correcting the errors and omissions.

*End of Article III*

**ARTICLE IV.**  
**CONTRACTOR COVENANTS AND OBLIGATIONS**

**Section 4.01. Contractor Qualifications.** The Contractor covenants that it, its employees, agents and subcontractors, if any, have and shall maintain during the term of this Construction Contract all licenses, permits, qualifications, insurance and approvals of whatever nature that are legally required to perform the Work.

**Section 4.02. Standard of Care.** The Contractor covenants that the Work shall be performed by qualified, experienced and well-supervised personnel. All services performed in connection with this Construction Contract shall be performed in a manner consistent with the standard of care under Maryland law applicable to those who specialize in providing such services for projects of the type, scope, and complexity of the Projects.

**Section 4.03. Compliance with Law.** The Contractor covenants that it shall keep itself informed concerning and shall perform all Work in accordance with all ordinances, resolutions, rules, and regulations of the City and any applicable Federal, State of Maryland or Montgomery County, Maryland laws and regulations in effect at the time the Work is performed.

**Section 4.04. Licenses, Permits, Fees and Assessments.** The Contractor covenants that it shall obtain at its sole cost and expense such licenses, permits and approvals that are identified in a Work Authorization Letter as the Contractor's responsibility. The Contractor shall have the sole obligation to pay for any fees, assessments and taxes, plus applicable penalties and interest, which may be imposed by law and arise from or are necessary for the Contractor's performance of the Work required under the Contract Documents, and shall indemnify, defend and hold harmless the City, its officers, employees or agents of the City, against any such fees, assessments, taxes, penalties or interest levied, assessed or imposed against the City.

**Section 4.05. Conflict of Interest.** The Contractor covenants that neither it, nor any officer or principal of its firm, has or shall acquire any interest, directly or indirectly, which would conflict in any manner with the interests of the City or which would in any way hinder the Contractor's performance of Work. The Contractor further covenants that in the performance of the Work, no person having any such interest shall be employed by it as an officer, employee, agent or subcontractor without the express written consent of the City Manager. The Contractor agrees to avoid conflicts of interest or the appearance of any conflicts of interest with the interests of the City in the performance of this Construction Contract. The Contractor further covenants that, in the performance of this Construction Contract, it will not employ subcontractors or other persons or parties having such an interest. The Contractor certifies that no person who has or will have any financial interest under this Construction Contract is a member, officer or employee of the City; this provision will be interpreted in accordance with the applicable provisions of the Rockville City Code, as amended from time to time. The Contractor agrees to notify the City Manager or designee if any conflict arises.

**Section 4.06. Compliance with ADA.** The Contractor covenants and agrees that pursuant to the Americans with Disabilities Act of 1990, as amended (the "ADA"), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor or subcontractor, are required to be accessible to the disabled public. The Contractor will perform the Work specified in this Construction Contract in a manner that complies with the ADA and any other applicable federal, state and local disability rights laws and regulations, as amended from time to time. The

Contractor will not discriminate against persons with disabilities in the performance of the Work, benefits or activities provided under the Contract Documents.

**Section 4.07. Design Errors or Omissions.** The Contractor acknowledges that prior to executing this Construction Contract, the Contractor reviewed the drawings, specifications and other Contract Documents and have notified the City of any errors, omissions, or discrepancies in the documents of which it was aware. Contractor shall not make or be entitled to any claim for any adjustment to the Contract Time or the Contract Sum for errors or omissions in the Construction Documents that Contractor discovered or, in the exercise of its standard of care as a contractor and not as a design professional, should reasonably have discovered using ordinary diligence, and did not bring to the attention of the City in a timely manner.

**Section 4.08. Differing Site Conditions.**

(a) The Contractor shall promptly, and before such conditions are disturbed, give a written notice to the Project Administrator of (1) subsurface or latent physical conditions at a Site which differ materially from those indicated in this Construction Contract, or (2) unknown physical conditions at a Site, of an unusual nature, which differ materially from those ordinarily encountered and generally recognized as inhering in work of the character provided for in this Construction Contract.

(b) The Project Administrator shall investigate a Site's conditions promptly after receiving the notice. If the conditions do materially so differ and cause an increase or decrease in the Contractor's cost of, or the time required for, performing any part of the work under this Construction Contract, whether or not changed as a result of the conditions, an equitable adjustment shall be made under this Construction Contract and the Construction Contract modified in writing accordingly.

(c) No request by the Contractor for an equitable adjustment to the Construction Contract under this clause shall be allowed, unless the Contractor has given the written notice required; *provided*, that the time prescribed in (a) above for giving written notice may be extended by the Project Administrator.

(d) No request by the Contractor for an equitable adjustment to the contract for differing site conditions shall be allowed if made after final payment under this Construction Contract.

**Section 4.09. External Funding Requirements.** Contractor acknowledges that this Construction Contract is being funded in part through two external funding sources: the Maryland Department of the Environment's Drinking Water State Revolving Loan Fund program and the U.S. Environmental Protection Agency Region Three Community Grants program. Contractor agrees to adhere to the requirements for these funding sources as provided on pages 200 through 269 of IFB # 26-25, or as may be otherwise required by the State of Maryland or the U.S. Environmental Protection Agency.

*End of Article IV*

**ARTICLE V.  
RECORDS, REPORTS, AUDIT, AND RELEASE OF INFORMATION**

**Section 5.01. Records.** The Contractor shall keep and require its subcontractors, if any, to keep, such ledgers books of accounts, invoices, vouchers, canceled checks, records, reports, studies, documents or other information relating to the disbursements charged to City and Work performed hereunder (the “**Books and Records**”), as shall be necessary to enable the Project Administrator to evaluate the performance of the Work. All such documents shall be maintained in accordance with generally accepted accounting principles and shall be complete and detailed. The City Manager and his designee shall have full and free access to such Books and Records at all times during normal business hours of the City of Rockville, including the right to inspect, copy, audit and make records and transcripts from such records. Such records shall be maintained for a period of five (5) years following Final Completion of a Project, and the City shall have access to such records in the event any audit is required. In the event of dissolution of the Contractor’s business, custody of the Books and Records shall be given to City, and access may be provided by the Contractor’s successor in interest.

**Section 5.02. Reports.** The Contractor shall periodically prepare and submit to the Project Administrator such reports concerning the Work as the Project Administrator shall require. The Contractor hereby acknowledges that the Final Completion of all Projects is a priority for the City. For this reason, the Contractor agrees that if the Contractor becomes aware of any facts, circumstances, techniques, or events that may or will materially increase or decrease the cost of the Work, the Contractor shall promptly notify the Project Administrator of said fact, circumstance, technique or event and the estimated increased or decreased cost related thereto.

**Section 5.03. Right to Audit.** The City retains the right to review and audit, and the reasonable right of access to the Contractor's and any subcontractor's premises, to review and audit the Contractor 's or subcontractor's compliance with the provisions of the Contract Documents (the “**City's Audit Right**”). The City's Audit Right includes the right to inspect, photocopy, and retain copies of the Books and Records, outside of the Contractor 's premises if deemed necessary by the City in its sole discretion. The City shall keep these Books and Records confidential to the extent permitted by law.

**Section 5.04. Confidentiality and Release of Information.**

(a) All information gained or work product produced by the Contractor in performance the Work shall be considered confidential, unless such information is in the public domain or already known to the Contractor. The Contractor shall not release or disclose any such information or work product to persons or entities other than the City without prior written authorization from the City Manager.

(b) The Contractor, its officers, employees, agents or subcontractors, shall not, without prior written authorization from the City Manager or unless requested by the City Attorney, voluntarily provide documents, declarations, letters of support, testimony at depositions, response to interrogatories or other information concerning the work performed under the Contract Documents. Response to a subpoena or court order shall not be considered "voluntary" provided the Contractor gives City notice of such court order or subpoena.

(c) If the Contractor, or any officer, employee, agent or subcontractor of the Contractor, provides any information or work product in violation of this Construction Contract, then the City shall

have the right to reimbursement and indemnity from the Contractor for any damages, costs and fees, including attorneys' fees, caused by or incurred as a result of the Contractor's conduct.

(d) The Contractor shall promptly notify the City Attorney should the Contractor, its officers, employees, agents or subcontractors be served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, request for admissions or other discovery request, court order or subpoena from any party regarding this Construction Contract and the Work performed hereunder. The City Attorney or his designee retains the right, but has no obligation, to represent the Contractor or be present at any deposition, hearing or similar proceeding. The Contractor agrees to cooperate fully with the City and to provide the City with the opportunity to review any response to discovery requests provided by the Contractor. However, this right to review any such response does not imply or mean the right by the City to control, direct, or rewrite said response.

*End of Article V*

**ARTICLE VI.  
INSURANCE AND INDEMNIFICATION**

**Section 6.01. Insurance Requirement.**

(a) Prior to execution of this Construction Contract by the City, the Contractor must obtain, at its sole cost and expense, and keep in force and effect during the term of this Construction Contract, including all extensions, an insurance policy meeting the requirements of Section III: Special Terms and Conditions of IFB #26-25, as evidenced at the time of the execution of this Construction Contract by a certificate of insurance provided to the Risk Manager for the City of Rockville (the “**Risk Manager**”).

(b) In the event the Contractor subcontracts any portion of the Work, the contract between the Contractor and such subcontractor shall require the subcontractor to maintain the same policies of insurance that the Contractor is required to maintain pursuant to subsection 6.01(a), and such certificates and endorsements shall be provided to the Risk Manager.

**Section 6.02. Indemnification.**

(a) To the full extent permitted by law, the Contractor agrees to indemnify, defend and hold harmless the Mayor and Council and its appointed officers, employees and agents against, and will hold and save them and each of them harmless from, any and all actions, either judicial, administrative, arbitration or regulatory claims, damages to persons or property, losses, costs, penalties, obligations, errors, omissions or liabilities whether actual or threatened (herein “**Claims or Liabilities**”) that may be asserted or claimed by any person, firm or entity arising out of or in connection with the negligent performance of the work, operations or activities provided herein of the Contractor, its officers, employees, agents, subcontractors, or invitees, or any individual or entity for which the Contractor is legally liable (“**Indemnors**”), or arising from the Contractor’s reckless or willful misconduct, or arising from the Contractor’s Indemnors’ negligent performance of or failure to perform any term, provision, covenant or condition under the Contract Documents, and in connection therewith:

(b) The Contractor will defend any action or actions filed in connection with any of said Claims or Liabilities and will pay all costs and expenses, including legal costs and attorneys’ fees incurred in connection therewith;

(c) The Contractor will promptly pay any judgment rendered against the Mayor and Council, its appointed officers, agents or employees for any such Claims or Liabilities arising out of or in connection with the negligent performance of or failure to perform such work, operations or activities of the Contractor hereunder; and the Contractor agrees to save and hold the Mayor and Council, its appointed officers, agents, and employees harmless therefrom; and

(d) In the event the Mayor and Council, its appointed officers, agents or employees is made a party to any action or proceeding filed or prosecuted against the Contractor for such damages or other claims arising out of or in connection with the negligent performance of or failure to perform the work, operation or activities of the Contractor hereunder, the Contractor agrees to pay to the Mayor and Council, its appointed officers, agents or employees, any and all costs and expenses incurred by the Mayor and Council, its appointed officers, agents or employees in such action or proceeding, including but not limited to, legal costs and attorneys’ fees.

(e) The Contractor shall incorporate similar indemnity agreements with its subcontractors and if it fails to do so the Contractor shall be fully responsible to indemnify the City hereunder therefore, and failure of the City to monitor compliance with these provisions shall not be a waiver hereof. This indemnification includes Claims or Liabilities arising from any negligent or wrongful act, error or omission, or reckless or willful misconduct of the Contractor in the performance of services hereunder. The provisions of this Section do not apply to Claims or Liabilities occurring as a result of City's sole negligence or willful acts or omissions, but, to the fullest extent permitted by law, shall apply to claims and liabilities resulting in part from City's negligence, except that design professionals' indemnity hereunder shall be limited to claims and liabilities arising out of the negligence, recklessness or willful misconduct of the design professional. The indemnity obligation shall be binding on successors and assigns of the Contractor and shall survive termination of this Construction Contract.

**Section 6.03. Sufficiency of Insurer or Surety.** Insurance or bonds required by the Contract Documents shall be satisfactory only if issued by companies qualified to do business in Maryland, rated "A" or better in the most recent edition of Best Rating Guide, The Key Rating Guide or in the Federal Register, and only if they are of a financial category Class VII or better, unless such requirements are waived by the Risk Manager due to unique circumstances. If this Construction Contract continues for more than three (3) years duration, or in the event the Risk Manager determines that the Work to be performed under the Contract Documents creates an increased or decreased risk of loss to the City, the Contractor agrees that the minimum limits of the insurance policies and the performance bond (if any) may be changed accordingly upon receipt of written notice from the Risk Manager; provided that the Contractor shall have the right to appeal a determination of increased coverage by the Risk Manager to the City Manager within 10 days of receipt of notice from the Risk Manager.

*End of Article VI*

**ARTICLE VII.  
REPRESENTATIONS AND WARRANTIES; CERTIFICATION**

**Section 7.01. Contractor's Representations.** As a material inducement to the Mayor and Council's entry into this Construction Contract, the Contractor hereby (i) makes the following representations and warranties to the Mayor and Council, as of the Effective Date, (ii) covenants that until the expiration or earlier termination of this Construction Contract, upon learning of any fact or condition which would cause any of the warranties and representations in this Construction Contract not to be true, the Contractor shall immediately give written notice of such fact or condition to the Mayor and Council, (iii) acknowledges that the Mayor and Council shall rely upon the Contractor's representations made herein notwithstanding any investigation made by or on behalf of the Mayor and Council, and (iv) agrees that such representations and warranties shall survive termination of this Construction Contract:

(a) Organization. The Contractor is a duly organized and validly existing corporation and is in good standing under the laws of the State of Maryland and has the power and authority to carry on its business in the State of Maryland.

(b) Authority of the Contractor. The Contractor has full power and authority to execute and deliver this Construction Contract, to execute and deliver the Contract Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Construction Contract, and to perform and observe the terms and provisions of all of the above.

(c) Authority of Persons Executing Documents. This Construction Contract and the other Contract Documents and all other documents or instruments executed and delivered or to be executed and delivered pursuant to this Construction Contract have been (to the extent scheduled to be delivered as of the date hereof) or will be (to the extent scheduled to be delivered subsequent to the date hereof) executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of the Contractor, and all actions required under the Contractor's organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Construction Contract and the other Contract Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Construction Contract, have been or will be duly taken prior to delivery of each document or instrument.

(d) Valid Binding Agreements. This Construction Contract and the other Contract Documents and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Construction Contract constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of the Contractor enforceable against it in accordance with their respective terms.

(e) No Breach of Law or Agreement. Neither the execution nor delivery of this Construction Contract and the other Contract Documents or any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Construction Contract, nor the performance of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or agency whatsoever binding on the Contractor, or any provision of the organizational documents of the Contractor, or will materially conflict with or constitute a material breach of or a material default under any agreement to which Contractor is a party.

(f) Compliance with Laws; Consents and Approvals. The Contractor shall comply with all applicable laws, ordinances, rules and regulations of the federal government, the State of Maryland, Montgomery County, Maryland, and the City of Rockville, and shall comply with all applicable directions, rules and regulations of the fire marshal, health officers, building inspectors and other officers of any such government or agency.

(g) No Pending Litigation, Etc. Neither Contractor nor any principal (or beneficiary) of Contractor is subject to any pending, threatened or current litigation, merger or acquisition, corporate or other restructuring or financial oversight.

(h) No Bankruptcy, Insolvency. Neither Contractor nor any of Contractor's principals (or beneficiaries) is currently subject to any voluntary or involuntary bankruptcy or other insolvency, reorganization, bankruptcy, receivership or other similar proceeding, Contractor has no knowledge of any of the same pending or being imminent, none of such parties have been subject to any of the same at any time during the 10 year period immediately preceding the Effective Date, and Contractor has not made an assignment for the benefit of its creditors.

(i) No Violation of Order, Etc. Contractor is not in violation of any order, decree or judgment arising out of, connected with or otherwise related to the design, construction, operation or management of any facility, building, project or system.

**Section 7.02. Contractor's Certifications.** The Contractor certifies to the Mayor and Council that it has not engaged in corrupt, fraudulent, collusive, or coercive practices in competing for or in executing this Construction Contract. For the purposes of this Section 7.02: "**corrupt practice**" means the offering, giving, receiving, or soliciting of anything of value likely to influence the action of a public official in the bidding process or in this Construction Contract execution; "**fraudulent practice**" means an intentional misrepresentation of facts made (a) to influence the bidding process or the execution of the Contract to the detriment of the Mayor and Council, (b) to establish Bid or Contract prices at artificial non-competitive levels, or (c) to deprive the Mayor and Council of the benefits of free and open competition; "**collusive practice**" means a scheme or arrangement between two or more bidders, with or without the knowledge of the Mayor and Council or City of Rockville staff, a purpose of which is to establish bid prices at artificial, non-competitive levels; and "**coercive practice**" means harming or threatening to harm, directly or indirectly, persons or their property to influence their participation in the bidding process or affect the execution of this Construction Contract.

*End of Article VII*

**ARTICLE VIII.  
DEFAULTS AND REMEDIES**

**Section 8.01. Default.**

(a) Notice of Default. In the event that the Mayor and Council determines, in its sole discretion, that Contractor has failed or refused to perform any of the obligations set forth in the Contract Documents, or is in breach of any provision of the Contract Documents, the City Manager may give written notice of default to the Contractor in the manner specified for the giving of notices in the Construction Contract, with a copy to Contractor's performance bond surety.

(b) Opportunity to Cure. Except for emergencies, the Contractor shall cure any default in performance of its obligations under the Contract Documents within five (5) Working Days (or such shorter time as the City Manager may reasonably require) after receipt of written notice. However, if the breach cannot be reasonably cured within such time, the Contractor will commence to cure the breach within five (5) Working Days (or such shorter time as the City Manager may reasonably require) and will diligently and continuously prosecute such cure to completion within a reasonable time, which shall in no event be later than ten (10) Working Days after receipt of such written notice.

**Section 8.02. Mayor and Council's Rights and Remedies.**

(a) Remedies Upon Default. If the Contractor fails to cure any default of this Construction Contract within the time period set forth above in Section 8.01, then the Mayor and Council may pursue any remedies available under law or equity, including, without limitation, the following:

(i) *Delete Certain Services.* The Mayor and Council may, without terminating the Construction Contract, delete certain portions of the Work, reserving to itself all rights to Losses related thereto.

(ii) *Perform and Withhold.* The Mayor and Council may, without terminating the Construction Contract, engage others to perform the Work or portion of the Work that has not been adequately performed by the Contractor and withhold the cost thereof to the Mayor and Council from future payments to the Contractor, reserving to itself all rights to Losses related thereto.

(iii) *Suspend the Construction Contract.* The Mayor and Council may, without terminating the Construction Contract and reserving to itself all rights to Losses related thereto, suspend all or any portion of this Construction Contract for as long a period of time as the Mayor and Council determines, in its sole discretion, appropriate, in which event the Mayor and Council shall have no obligation to adjust the Contract Sum or Contract Time, and shall have no liability to the Contractor for damages if the Mayor and Council directs Contractor to resume Work.

(iv) *Terminate the Construction Contract for Default.* The Mayor and Council shall have the right to terminate this Construction Contract, in whole or in part, upon the failure of Contractor to promptly cure any default as required by Section 8.01. The Mayor and Council's election to terminate this Construction Contract for default shall be communicated by giving the Contractor a written notice of termination in the manner specified for the giving of notices in the Construction Contract. Any notice of termination given to the Contractor by the Mayor and Council shall be effective immediately, unless otherwise provided therein.

(v) *Invoke the Performance Bond.* The Mayor and Council may, with or without terminating the Construction Contract and reserving to itself all rights to Losses related thereto, exercise its rights under the Performance Bond.

(vi) *Additional Provisions.* All of the Mayor and Council's rights and remedies under this Construction Contract are cumulative and shall be in addition to those rights and remedies available in law or in equity. Designation in the Contract Documents of certain breaches as material shall not waive the Mayor and Council's authority to designate other breaches as material nor limit the Mayor and Council's right to terminate this Construction Contract or prevent the Mayor and Council from terminating the Contract Documents for breaches that are not material. The Mayor and Council's determination of whether there has been noncompliance with the Construction Contract so as to warrant exercise by the Mayor and Council of its rights and remedies for default under this Construction Contract, shall be binding on all Parties. No termination or action taken by the Mayor and Council after such termination shall prejudice any other rights or remedies of the Mayor and Council provided by law or equity or by the Contract Documents upon such termination; and the Mayor and Council may proceed against the Contractor to recover all liquidated damages and Losses suffered by the Mayor and Council.

(b) Delays by Sureties. Time being of the essence in the performance of the Work, if the Contractor's surety fails to arrange for completion of the Work in accordance with the Performance Bond, within seven (7) Days from the date of the notice of termination, the Contractor's surety shall be deemed to have waived its right to complete the Work under this Construction Contract, and the Mayor and Council may immediately make arrangements for the completion of the Work through use of its own forces, by hiring a replacement contractor, or by any other means that the Mayor and Council determines advisable under the circumstances. The Contractor and its surety shall be jointly and severally liable for any additional cost incurred by the Mayor and Council to complete the Work following termination. In addition, the Mayor and Council shall have the right to use any materials, supplies, and equipment belonging to the Contractor and located at a Site for the purposes of completing the remaining Work.

(c) Damages to Mayor and Council.

(i) *For Contractor's Default.* The Mayor and Council will be entitled to recovery of all Losses under law or equity in the event of the Contractor's default under the Contract Documents.

(ii) *Compensation for Losses.* In the event that the Mayor and Council's Losses arise from the Contractor's default under the Contract Documents, the Mayor and Council shall be entitled to deduct the cost of such Losses from monies otherwise payable to the Contractor. If the Losses incurred by the Mayor and Council exceed the amount payable, the Contractor shall be liable to the Mayor and Council for the difference and shall promptly remit same to the Mayor and Council.

(d) Suspension by Mayor and Council.

(i) *Suspension for Convenience.* The Mayor and Council may, at any time and from time to time, without cause, order the Contractor, in writing, to suspend, delay, or interrupt the Work in whole or in part for such period of time, up to an aggregate of fifty percent (50%) of the Contract Time. The order shall be specifically identified as a Suspension Order by the Mayor and Council. Upon receipt of a Suspension Order, the Contractor shall, at the Mayor and Council's expense, comply with the order and take all reasonable steps to minimize costs allocable to the Work covered by the Suspension Order. During the Suspension or extension of the Suspension, if any, the Mayor and Council shall either cancel the Suspension Order or, by Change Order, delete the Work covered by the Suspension Order. If a Suspension Order is canceled or expires, the Contractor shall resume and continue with the Work. A Change Order will be issued to cover any adjustments of the Contract Sum or the Contract Time

necessarily caused by such suspension. A Suspension Order shall not be the exclusive method for the Mayor and Council to stop the Work.

(ii) *Suspension for Cause.* In addition to all other remedies available to the Mayor and Council, if the Contractor fails to perform or correct work in accordance with the Contract Documents, the Mayor and Council may immediately order the Work, or any portion thereof, suspended until the cause for the suspension has been eliminated to the Mayor and Council's satisfaction. The Contractor shall not be entitled to an increase in Contract Time or Contract Sum for a suspension occasioned by the Contractor's failure to comply with the Contract Documents. The Mayor and Council's right to suspend the Work shall not give rise to a duty to suspend the Work, and the Mayor and Council's failure to suspend the Work shall not constitute a defense to the Contractor's failure to comply with the requirements of the Contract Documents.

(e) Termination Without Cause. The Mayor and Council may, at its sole discretion and without cause, terminate this Construction Contract in part or in whole upon written notice to the Contractor. The termination is effective ten (10) Days after the notice is issued, unless a different time is given in the notice. The compensation allowed under this Section 8.02(e) shall be the Contractor's sole and exclusive compensation for such termination, and the Contractor waives any claim for other compensation or losses, including, but not limited to, loss of anticipated profits, loss of revenue, lost opportunity, or other consequential, direct, indirect or incidental damages of any kind resulting from termination without cause. Termination pursuant to this provision does not relieve the Contractor or its sureties from any of their obligations for Losses arising from or related to the Work performed by the Contractor.

(i) *Compensation.* Following such termination and within forty-five (45) Days after receipt of a billing from the Contractor seeking payment of sums authorized by Section 8.02(e), the Mayor and Council shall pay the following to the Contractor as Contractor's sole compensation for performance of the Work:

A. For Work Performed. The amount of the Contract Sum allocable to the portion of the Work properly performed by the Contractor as of the date of termination, less sums previously paid to Contractor.

B. For Close-out Costs. Reasonable costs of the Contractor and its subcontractors: (i) Demobilizing and (ii) Administering the close-out of its participation in a Project (including, without limitation, all billing and accounting functions, not including attorney or expert fees) for a period of no longer than thirty (30) Days after receipt of the notice of termination.

C. For Fabricated Items. Previously unpaid cost of any items delivered to a Site which were fabricated for subsequent incorporation in the Work.

D. Profit Allowance. An allowance for profit calculated as four percent (4%) of the sum of the above items, provided Contractor can prove a likelihood that it would have made a profit if the Construction Contract had not been terminated.

(ii) *Subcontractors.* The Contractor shall include provisions in all of its subcontracts, purchase orders and other contracts permitting termination for convenience by Contractor on terms that are consistent with this Construction Contract and that afford no greater rights of recovery against Contractor than are afforded to Contractor against City under this Section.

(f) Loss of Federal or State Funding. In the event federal or state funding used to pay for the Work under this Construction Contract is reduced, withdrawn, frozen or otherwise cannot be made in full, this Construction Contract shall automatically terminate, unless both Parties agree to a modification of the obligations under this Construction Contract. The effective date of such termination shall be ninety (90) Days after the Contractor receives written notice of the reduction in payment, unless available funds are insufficient to continue payments in full during the ninety (90) Day period. A reduction in federal or state funding does not reduce monies due and owing to the Contractor on or before the effective date of the termination of the Agreement.

(g) Contractor's Duties Upon Termination. Upon receipt of a notice of termination pursuant to this Section 8.02, the Contractor shall, unless the notice directs otherwise, do the following:

- (i) Immediately discontinue the Work to the extent specified in the notice;
- (ii) Place no further orders or subcontracts for materials, equipment, services or facilities, except as may be necessary for completion of such portion of the Work that is not discontinued;
- (iii) Provide to the Mayor and Council a description in writing, no later than fifteen (15) Days after receipt of the notice of termination, of all subcontracts, purchase orders and contracts that are outstanding, including, without limitation, the terms of the original price, any changes, payments, balance owing, the status of the portion of the Work covered and a copy of the subcontract, purchase order or contract and any written changes, amendments or modifications thereto, together with such other information as the Mayor and Council may determine necessary in order to decide whether to accept assignment of or request the Contractor to terminate the subcontract, purchase order or contract;
- (iv) Promptly assign to the Mayor and Council those subcontracts, purchase orders or contracts, or portions thereof, that the Mayor and Council elects to accept by assignment and cancel, on the most favorable terms reasonably possible, all subcontracts, purchase orders or contracts, or portions thereof, that the Mayor and Council does not elect to accept by assignment; and
- (v) Thereafter do only such Work as may be necessary to preserve and protect Work already in progress and to protect materials, plants, and equipment on a Site or in transit thereto.

(h) Provisions Effective After Termination. Upon termination, whether for cause or for convenience, the provisions of the Contract Documents remain in effect as to any claim, indemnity obligation, warranties, guarantees, submittals of as-built drawings, instructions, or manuals, or other such rights and obligations arising prior to the termination date.

### **Section 8.03. Contractor's Rights and Remedies.**

(a) Contractor's Remedies. Contractor may terminate this Construction Contract only upon the occurrence of one of the following:

1. *For Work Stoppage.* The Work is stopped for sixty (60) consecutive Days, through no act or fault of the Contractor, any subcontractor, or any employee or agent of the Contractor or any subcontractor, due to issuance of an order of a court or other public authority other than the Mayor and Council having jurisdiction or due to an act of government, such as a declaration of a national emergency making material unavailable. This provision shall not apply to any work stoppage resulting from the Mayor and Council's issuance of a suspension notice issued either for cause or for convenience.

2. *For Mayor and Council's Non-Payment.* If the Mayor and Council does not pay the Contractor undisputed sums within ninety (90) Days after receipt of notice from the Contractor, the Contractor may terminate this Construction Contract (30) Days following a second notice to the Mayor and Council of the Contractor's intention to terminate the Construction Contract.

(b) Damages to Contractor. In the event of termination for cause by the Contractor, the Mayor and Council shall pay the Contractor the sums provided for in Paragraph 8.02(e)(i) above. Contractor agrees to accept such sums as its sole and exclusive compensation and agrees to waive any claim for other compensation or Losses, including, but not limited to, loss of anticipated profits, loss of revenue, lost opportunity, or other consequential, direct, indirect and incidental damages, of any kind.

***End of Article VIII***

**ARTICLE IX.  
MISCELLANEOUS PROVISIONS**

**Section 9.01. Notices, Demands, and Communications Between the Parties.** Formal notices, demands, and communications between the Contractor and Mayor and Council shall be given either by (a) personal service, (b) delivery by reputable overnight document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (c) mailing utilizing a certified or first class mail postage prepaid service of the United States Postal Service that provides a receipt showing date and time of delivery, addressed to:

**To the Mayor and Council:**

Mayor and Council of Rockville  
c/o Office of the City Clerk  
111 Maryland Avenue  
Rockville, Maryland 20850  
Attn: Sara Taylor-Ferrell, City Clerk / Director of Council  
Operations

*With copies to:*

Office of the City Attorney  
111 Maryland Avenue  
Rockville, Maryland 20850  
Attn: City Attorney

Office of the City Manager  
111 Maryland Avenue  
Rockville, Maryland 20850  
Attn: Jeff Mihelich, City Manager

Department of Public Works  
111 Maryland Avenue  
Rockville, Maryland 20850  
Attn: Craig Simoneau, Director

**To the Contractor:**

Sagres Construction Corporation  
3680 Wheeler Ave., Suite 300  
Alexandria, VA 22304  
Attn: Behzad Burhanuddin, Director of Operations

*With copies to:*

Sagres Construction Corporation  
3680 Wheeler Ave., Suite 300  
Alexandria, VA 22304  
Attn: Luka Dragacevac, Senior Project Manager

Notices personally delivered shall be deemed effective upon receipt or refusal thereof. Notices given by a reputable overnight document delivery service shall be deemed effective one (1) Working Day after delivery by such service. Notices mailed shall be deemed effective on the third (3<sup>rd</sup>) Working Day

following deposit in the United States mail. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

The Parties' respective contacts for emergencies are as follows:

City of Rockville  
Dan Stevens  
Chief, Construction Management  
Telephone: (240) 743-7003  
Office: 240-314-8552  
[dstevens@rockvillemd.gov](mailto:dstevens@rockvillemd.gov)

Sagres Construction Corporation  
Luka Dragacevac  
Senior Project Manager  
Telephone: (703)-864-3389  
Office: (804) 533-0156  
[Luka@sagresconstruction.com](mailto:Luka@sagresconstruction.com)

**Section 9.02. Relationship of Parties.** The provisions of this Construction Contract are intended solely for the purpose of defining the relative rights of the Parties and no relationship of partnership, joint venture or other joint enterprise shall be deemed to be created hereby by and among the Parties pursuant to the Construction Contract.

**Section 9.03. Interpretation.** The terms of the Construction Contract shall be construed in accordance with the meaning of the language used and as a whole according to its fair meaning, and shall not be construed for or against any Party by reason of the authorship of the Construction Contract or any other rule of construction which might otherwise apply. The Section headings are for purposes of convenience only and shall not be construed to limit or extend the meaning of the Construction Contract.

**Section 9.04. Non-Liability of Officials, Employees and Agents.** No member of the Mayor and Council or any of its respective officers, employees, successors, or agents shall be personally liable to the Contractor in the event of any default or breach by the Mayor and Council or for any amount which may become due to the Contractor or its respective successors or assigns or on any obligation under the terms of the Construction Contract.

**Section 9.05. No Third-Party Beneficiaries.** No provision of the Construction Contract shall be construed to confer any rights upon any person or entity who is not a Party hereto, whether a third-party beneficiary or otherwise.

**Section 9.06. Parties Bound.** Except as otherwise limited herein, the provisions of the Construction Contract shall be binding upon and inure to the benefit of the Parties and their heirs, executors, administrators, legal representatives, successors, and assigns.

**Section 9.07. Severability.** If any term, provision, covenant, or condition of the Construction Contract is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the Construction Contract shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of the Construction Contract. In the event that all or any portion of the Construction Contract is found to be unenforceable, the Construction Contract or that portion which is found to be unenforceable shall be deemed to be a statement of intention by the Parties; and the Parties further agree that in such event, and to the maximum extent permitted by law, they shall take all steps necessary to comply with such procedures or requirements as may be necessary in order to make valid the Construction Contract or that portion which is found to be unenforceable.

**Section 9.08. Prohibition Against Transfers.** The Mayor and Council is entering into this Construction Contract in reliance upon the stated experience and qualifications of the Contractor and its subcontractors set forth in its Bid. Accordingly, Contractor shall not assign, hypothecate, or transfer this Construction

Contract or any interest therein directly or indirectly, by operation of law or otherwise without the prior written consent of the Mayor and Council. Any assignment, hypothecation, or transfer without said consent shall be null and void and shall be deemed a substantial breach of contract and grounds for default in addition to any other legal or equitable remedy available to the Mayor and Council.

The sale, assignment, transfer, or other disposition of any of the issued and outstanding capital stock of the Contractor that shall result in changing the control of Contractor, shall be construed as an assignment of this Construction Contract. Control means more than fifty percent (50%) of the voting power of the corporation or other entity.

**Section 9.09. Governing Law.** The Construction Contract and all other Contract Documents are entered into and shall be construed in accordance with and governed by the laws of the State of Maryland without regard to choice-of-law rules. The Parties consent to the jurisdiction and venue of the Circuit Court for Montgomery County, Maryland.

**Section 9.10. Tax Exemption.** The City is exempt from the payment of any federal excise or any Maryland sales tax.

**Section 9.11. Local Government.** Notwithstanding anything herein contained to the contrary, Contractor acknowledges the Mayor and Council is a political subdivision and its obligations hereunder are given only to the extent permitted by applicable law, contingent upon the appropriation and encumbrance of funding, and subject to the notice requirements and damages limitations stated in applicable law, including, but not limited to, the Local Government Tort Claims Act, Md. Code Ann., Ct & Jud. Proc. § 5-301, et seq. (2013 Repl. Vol.), as amended from time to time.

**Section 9.12. Construction Documents.** All Construction Documents referred to in the Construction Contract are by such references fully incorporated herein.

**Section 9.13. Entire Agreement, Waivers and Amendments.** The Construction Contract integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the Parties with respect to the Projects and the Work. All waivers of the provisions of the Construction Contract must be in writing and signed by the appropriate authorities of the Party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of the Parties.

**Section 9.14. Counterparts.** The Construction Contract may be executed in counterparts, each of which shall be deemed to be original, and such counterparts shall constitute one and the same instrument.

**Section 9.15. Electronic Signatures.** This Construction Contract may be executed by electronic signature, which will be construed as an original signature for all purposes and have the same force and effect as an original signature. For these purposes, “electronic signature” means electronically scanned and transmitted versions (e.g., via pdf file or facsimile transmission) of an original signature, or signatures electronically inserted via software such as DocuSign or Adobe Sign.

**Section 9.16. No Waiver of Sovereign Immunity by Mayor and Council.** Notwithstanding any other provisions of the Construction Contract to the contrary, nothing in the Construction Contract nor any action taken by the Mayor and Council pursuant to the Construction Contract nor any document which arises out of the Construction Contract shall constitute or be construed as a waiver of either the sovereign immunity or governmental immunity of the City of Rockville’s elected and appointed officials, officers, and employees.

**Section 9.17. Contract Disputes.** Any dispute concerning the interpretation of this Construction Contract shall be resolved pursuant to Section 17-173 of the Rockville City Code. Pending final adjudication of such dispute, the Contractor shall proceed diligently with performance of the Work pursuant to this Construction Contract.

**Section 9.19. Federal and State Funding.** Funding for this Construction Contract is being provided by federal and state grant and loan funds. The Mayor and Council's obligations under the Construction Contract are subject to the timely disbursement of such funds, as described in Section 8.02(f).

*End of Article IX*

**(Signature page to follow)**

**IN WITNESS WHEREOF**, the Mayor and Council and the Contractor have each executed, or caused to be duly executed, this Construction Contract, in the name and behalf of each of them (acting individually or by their respective officers or appropriate legal representatives thereunto duly authorized) as of the day and year first written above.

**MAYOR AND COUNCIL**

**Approved as to form:**

**THE MAYOR AND COUNCIL OF ROCKVILLE**, a body corporate and municipal corporation of the State of Maryland

\_\_\_\_\_  
Cynthia Walters, Acting City Attorney

By:

\_\_\_\_\_  
Jeff Mihelich, City Manager

**SAGRES CONSTRUCTION CORPORATION**  
a Virginia corporation

By:

\_\_\_\_\_  
Dejan Dragacevac, Vice President

EXHIBIT A  
 BID PRICING FORM

IFB 26-25 Addendum 4

**INVITATION FOR BIDS #26-25  
 WATER MAIN REHABILITATION PROGRAM - EXTERNALLY FUNDED PROJECTS**

**SECTION V: BID PRICING FORM**

**THIS FORM MUST BE COMPLETED AND INCLUDED WITH THE BID SUBMITTAL.  
 FAILURE TO SUBMIT THIS FORM SHALL DEEM THE BIDDER NON-RESPONSIVE.**

IN ACCORDANCE WITH ALL TERMS, SPECIFICATIONS AND REQUIREMENTS, WE PROPOSE TO FURNISH ALL LABOR, EQUIPMENT, MATERIALS AND SERVICES AND THE PERFORMANCE OF ALL WORK NECESSARY FOR THE PROJECT. PROVIDE PRICING BELOW TO INCLUDE OVERHEAD, PROFIT, TAXES, INSURANCE AND OTHER APPLICABLE FEES AND COSTS. ALTERATIONS TO THIS FORM OR BID ALTERNATES (UNLESS OTHERWISE SPECIFIED) ARE NOT ACCEPTABLE. LINE ITEMS LEFT BLANK OR MARKED "\$0" SHALL DEEM THIS BID NON-RESPONSIVE.

**BID PRICE TABLE A – Water Main Rehabilitation Program**

PAY ITEM	ITEM DESCRIPTION	QTY	UNIT OF MEASURE	UNIT COST	EXTENDED COST
1a	Install 6" thru 12" DIP Water Main; Trench Depth = 0 to 6-foot	20,000	LINEAR FOOT	\$125.00	\$2,500,000.00
1b	Install 6" thru 12" DIP Water Main; Trench Depth = 6 to 9-foot	700	LINEAR FOOT	\$100.00	\$70,000.00
1c	Install 16" DIP Water Main; Trench Depth = 0 to 6-foot	500	LINEAR FOOT	\$100.00	\$50,000.00
1d	Install 16" DIP Water Main; Trench Depth = 6 to 9-foot	500	LINEAR FOOT	\$100.00	\$50,000.00
2a	Install 6", 8" or 12" Water (Gate) Valves	100	EACH	\$350.00	\$35,000.00
2a	Install 16" Water (Butterfly) Valves	10	EACH	\$350.00	\$3,500.00
3	Install Fire Hydrants	50	EACH	\$3,000.00	\$150,000.00
4	Install 1" and 2" Corporation	200	EACH	\$500.00	\$100,000.00
5	Install 1" and 2" House Connection, copper type K.	1,600	LINEAR FOOT	\$80.00	\$128,000.00
6	Install Water Meter Crocks	50	EACH	\$500.00	\$25,000.00

EXHIBIT A  
 BID PRICING FORM

IFB 26-25 Addendum 4

PAY ITEM	ITEM DESCRIPTION	QTY	UNIT OF MEASURE	UNIT COST	EXTENDED COST
7	Furnish and Install 6.0-inch Hot Mix Asphalt (HMA) Surface Course (12.5 mm)	14,000	SQUARE YARD	\$45.00	\$630,000.00
8	Furnish and Install Graded Aggregate Base (GAB)	15,000	TONS	\$40.00	\$600,000.00
9	Furnish and Install Inlet Protection	40	EACH	\$200.00	\$8,000.00
10	Furnish and Install Silt Fence	1,500	LINEAR FEET	\$4.00	\$6,000.00
11	Furnish and Install MSHA #57 Stone	1,000	TON	\$40.00	\$40,000.00
12	Remove and Replace Concrete Curb and Gutter	700	LINEAR FEET	\$75.00	\$52,500.00
13	Remove and Replace Concrete Sidewalk	600	SQUARE YARD	\$90.00	\$54,000.00
14	Remove and Replace Concrete Driveway Apron	35	CUBIC YARD	\$500.00	\$17,500.00
*15	Furnish and Install Unfinished Concrete *Contingent Item	45	CUBIC YARD	\$500.00	\$22,500.00
*16	Water Valve Vault *Contingent Item	5	EACH	\$5,500.00	\$27,500.00
17	Furnish Test Pits – Water Service Line Materials	40	EACH	\$250.00	\$10,000.00
18	Temporary Traffic Control for Roads with Speed Limit over 35 mph	150	LINEAR FEET	\$200.00	\$30,000.00
19	Install Temporary 4" Water Main Bypass Loop for Commercial Areas	6,000	LINEAR FEET	\$20.00	\$120,000.00
20	Remove Existing Water Main in State Highway Administration ROW	100	LINEAR FEET	\$40.00	\$4,000.00

EXHIBIT A  
 BID PRICING FORM

IFB 26-25 Addendum 4

PAY ITEM	ITEM DESCRIPTION	QTY	UNIT OF MEASURE	UNIT COST	EXTENDED COST
21	Abandonment in Place of Existing Water Main	6,500	LINEAR FEET	\$5.00	\$32,500.00
22	Tree Removal >6" to <=12"	10	EACH	\$400.00	\$4,000.00
23	Tree Removal >12" to <=18"	10	EACH	\$900.00	\$9,000.00
24	Tree Removal >18" to <=24"	20	EACH	\$1,250.00	\$25,000.00
25	Tree Removal >24"	10	EACH	\$2,000.00	\$20,000.00
26	Removal and Disposal of Asbestos Concrete Materials	6,500	LINEAR FEET	\$13.00	\$84,500.00
27	Root Pruning	50	LINEAR FEET	\$20.00	\$1,000.00
28	Night Work	600	LINEAR FEET	\$50.00	\$30,000.00
29	Permanent Pavement Markings	7,000	LINEAR FEET	\$4.00	\$28,000.00
<b>WATER MAIN REHABILITATION TOTAL – A</b>					<b>\$4,967,500.00</b>

\*Indicates Contingent Item

Write the Total Bid Price for the Water Main Rehabilitation Program in words:

Four million, nine hundred sixty seven thousand, five hundred dollars and zero cents

**EXCEPTIONS**

All exceptions taken to the specifications contained in this document must be clearly indicated in the space provided below. Unless noted as an exception, the bidder will be held responsible for providing each component or standard called for.

The City Manager for the City of Rockville, Maryland retains the exclusive right to approve or reject any exception taken to the specifications contained in this bid. It is hereby agreed that if this bid is rejected due to an exception taken to a specification by the bidder, the rejection taken will be final and no further action may be taken.

Do you claim an exception to any specification to this bid? If yes, please explain.

NO

**COMPLETE AND RETURN WITH BID**