**Section 1.2065 Cancellation of Contracts**

a) In any of the following cases, the State agency, in consultation with the SPO, shall have the right to terminate or rescind any contract entered into under this Part without penalty:

1) The successful vendor inexcusably fails to furnish a satisfactory performance bond within the time specified.

2) The vendor inexcusably fails to make delivery at the place or within the time specified in the contract or as ordered by the purchasing agency.

3) Any supplies or services provided under the contract are rejected (for not meeting specification, not conforming to sample, or not being in good condition when delivered) and are not promptly replaced by the vendor. If there are repeated rejections of the vendor's supplies or services, this shall be grounds for termination or rescission, even though the vendor offers to replace the supplies or services promptly.

4) The vendor is guilty of misrepresentation (e.g., misbranding of food or drugs) in connection with another contract for the sale of supplies or services to the State such that the vendor cannot reasonably be depended upon to fulfill obligations as a responsible vendor under other contracts with the State.

5) The vendor should be adjudged bankrupt; enter into receivership or make a general assignment for the benefit of creditors due to insolvency; disregard laws, rules, or instructions of the SPO; or act in violation of any provision of the contract; or if the contract conflicts with any statutory or constitutional provision of the State of Illinois or of the United States.

6) Any other breach of contract or other unlawful act by the vendor.

7) The contract was obtained by fraud, collusion, conspiracy or other unlawful means; or

8) The contract conflicts with any statutory provision of the State of Illinois or of the United States.

b) Damages

The damages for which the State may be compensated as provided in this Section or by a suit on the vendor's performance bond or by other legal remedy shall include, but are not limited to, the following:

1) the additional cost of supplies or services bought elsewhere;

2) cost of repeating the procurement procedure;

3) any expenses incurred because of delay in receipt of supplies or services; and

4) any other damages caused by the vendor's breach of contract or unlawful act.

c) Withholding Money to Compensate State for Damages

If a contract is terminated or rescinded under this Section, the State agency may deduct from whatever is owed the vendor on that or any other contract an amount sufficient to compensate the State agency for any damage resulting from termination or rescission.

(Source: Added at 36 Ill. Reg. 10729, effective August 6, 2012)