

Virginia Information Technologies Agency



**Exhibit 4.0**  
**Pricing and Financial Provisions**  
**MSI**

VA-170822-SAIC

**COMMONWEALTH OF VIRGINIA**  
**VIRGINIA INFORMATION TECHNOLOGIES AGENCY (VITA)**  
**SUPPLY CHAIN MANAGEMENT DIVISION**

11751 MEADOWVILLE LANE  
CHESTER, VIRGINIA 23836

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## 1.0 Introduction

This **Exhibit 4 (Pricing and Financial Provisions)** provides the methodology for calculating the Charges for all of the Services.

The following Exhibits are referenced herein:

- **Exhibit 4.1 (Pricing and Volumes Matrix)**
- **Exhibit 4.2 (Resource Unit Definitions)**
- **Exhibit 4.3 Reserved**
- **Exhibit 4.4 (Form of Invoice)**
- **Exhibit 4.5 (Base Case)**
- **Exhibit 4.6 Reserved**
- **Exhibit 4.7 (Software Assets)**
- **Exhibit 4.8 (Third Party Contracts)**
- **Exhibit 4.9 (Billing Triggers)**

Supplier will be responsible for the accuracy and completeness of the operational and financial assumptions underlying its pricing. Supplier will not be entitled to adjust its pricing or any other terms of the Agreement because of any incorrect or incomplete assumption on the part of Supplier.

All Charges calculated in accordance with this **Exhibit 4** will be invoiced to VITA by Supplier in accordance with the applicable invoice and payment provisions set forth in **Section 6 (Charges)** of the Agreement.

This **Exhibit 4** provides four (4) major pricing methodologies for the Services:

- 1) Base Charges;
- 2) Milestone Charges;
- 3) Solution Services; and
- 4) Pass Through Expenses

Each pricing methodology is intended to align with Services which have different economics. The Base Charge pricing methodology is for Charges which have a fixed component and a variable component and allows such components to be clearly delineated. The Milestone Charge pricing methodology is for pre-defined deliverables based on one time or recurring activities and their related charges, including Implementation Services. The Solution Services methodology is for compensating Supplier for fulfillment of Solution Requests that are chargeable pursuant to the

Terms and Conditions of the Agreement, but that are not covered by the Base Charges, or otherwise suited to the other pricing methodologies. The Pass-Through Expense methodology is for Supplier expenses which VITA has agreed to pay directly to a third party or reimburse to Supplier.

## 2.0 Base Charges

- (1) **General.** The Base Charge pricing methodology utilizes Resource Units defined in Exhibit 4.2 (Resource Unit Definitions) with Charges listed in the Base Charges section of Exhibit 4.1 (Pricing and Volumes Matrix).
- (2) **Base Charges for Resource Unit Usage at Resource Baseline Levels.** The Resource Units set out in the Base Charges section of Exhibit 4.1 (Pricing and Volumes Matrix) provide the Base Charges for each Contract Year representing the fixed charges that would be payable by VITA for Supplier's provision of the Services at the levels of Resource Unit (RU) usage reflected in the monthly Resource Baselines.
  - (a) The monthly Resource Baseline for each Resource Unit is set forth in the Resource Baseline section of Exhibit 4.1 (Pricing and Volumes Matrix).
  - (b) The Base Charge for each Resource Unit will fully compensate Supplier for providing the Services at the level of Resource Unit usage reflected in the applicable monthly Resource Baseline over the applicable Contract Year.
- (3) **Calculation of Monthly Base Charge.** Supplier shall invoice VITA on a monthly basis the Base Charge for each Resource Unit for a pro rata portion of the Annual Base Charge, which shall be calculated by dividing the Base Charge specified in Exhibit 4.1 (Pricing and Volumes Matrix) for the applicable Contract Year by the number of months in that Contract Year, as applicable.
- (4) If the actual consumption of a Resource Unit in any month is greater or less than the applicable monthly Resource Baseline by an amount that is greater than the deadband described in the deadband section of Exhibit 4.1 (Pricing and Volumes Matrix), then an Additional Resource Charge (ARC) or Reduced Resource Credit (RRC) will be applied for each unit above or below the deadband, as provided in this Exhibit 4. For example, if a Resource Unit had a base volume of 1000 and a deadband of 5%, each unit above 1050, or below 950 would be assessed an ARC or RRC, but between those volumes no ARC or RRC would be due.
- (5) **Calculation of Monthly ARCs and RRCs.** Customers' increased or decreased consumption of Resource Units may result in ARCs or RRCs, calculated as set forth herein. Starting as of the Billing Month, as defined herein, following the Commencement date and monthly thereafter during the Term, Supplier will calculate and invoice ARCs and RRCs in accordance with the following:

- (a) The monthly billing period (the “**Billing Month**”) will be from the first day of the calendar month through the last day of the calendar month. If the Commencement Date occurs on a day later than the first day of a calendar month, then the first Billing Month shall be the period from the Commencement Date through the last day of such calendar month, and in that case, any amounts payable on a monthly basis shall be prorated for such month based upon the actual number of days from the Commencement Date to the end of such month. The Resource Unit usage will be counted as of the Measurement Date specified in **Section 6.0 (Resource Unit Methodology)** of this **Exhibit 4.0 (Pricing and Financial Provisions)** for purposes of determining the billable Resource Unit count for the Billing Month.
- (b) Supplier will record all ARC and RRC amounts due, and reflect these amounts in the Monthly Invoice by applicable Resource Unit. All applicable ARCs and RRCs for a particular month will be presented in one (1) invoice. ARCs and RRCs will be calculated using the rates applicable in the month in which the ARCs or RRCs were incurred, rather than the month of invoicing.
- (c) After the completion of each month subsequent to the Commencement date, Supplier will determine the quantity of Resource Units actually consumed for each Resource Unit by each Customers. There will be no ARC or RRC for a given month unless the consumption for each Resource Unit during such month exceeds or is less than the applicable monthly Resource Baseline by an amount greater than the deadband. In the event such actual use exceeds or is less than the applicable monthly Resource Baseline by an amount greater than the deadband, Supplier will invoice VITA for an ARC or credit VITA a RRC, calculated as follows:
- (i) If aggregate Customer consumption of any Resource Unit is above the applicable Resource Baseline by an amount greater than the deadband for the month, an ARC shall apply, calculated as follows:
- $$\text{ARC} = \{(\text{Actual Resource Units consumed} - (\text{monthly Resource Baseline} * (1 + \text{Deadband Percent}))) \times \text{ARC rate}\}$$
- (ii) If aggregate Customer consumption of any Resource Unit is below the applicable Resource Baseline by an amount greater than the deadband for the month, a RRC shall apply, calculated as follows:
- $$\text{RRC} = \{(\text{monthly Resource Baseline} * (1 - \text{Deadband Percent}) - \text{Actual Resource Units consumed}) \times \text{RRC rate}\}.$$
- (6) The ARC and RRC rates for each Resource Unit Category will be symmetrical.
- (7) Base Charges, ARC rates and RRC rates are valid within the volume bands associated with each of the Resource Unit, as set forth in **Exhibit 4.1 (Pricing and Volumes Matrix)**. If actual Resource Unit consumption is above or below this range for six (6) consecutive months, then the Base Charge, Resource Baseline, ARC rate and RRC rate for that Resource Unit Category shall be equitably adjusted by the Parties, provided that any such adjustments to the Base Charge, ARC rate and RRC rate will reflect the different

percentage of fixed versus variable costs resulting from the new Resource Baseline. Any adjustments to the Charges pursuant to this provision (a) shall not be made as a result of any temporary or seasonal fluctuations in the volume of the Services and (b) shall not result in Charges that are higher than such Charges would have been if the then-current ARC rates and RRC rates had been applied.

- (8) Supplier acknowledges and agrees that the combined total of the Base Charges plus applicable ARCs or minus applicable RRCs shall fully compensate the Supplier for providing the applicable Services at the actual usage levels for each Resource Unit in a given month.
- (9) There is no minimum revenue commitment, required minimum fees, or support level pricing for any Resource Baseline or at the total Agreement level. In no event will VITA be required to pay Supplier for volumes not consumed or utilized by VITA.

### 3.0 Milestone Charges

The Charges shall include the Milestone Charges set forth in **Exhibit 4.1 (Pricing and Volumes Matrix)**. Milestone Charges shall only be billed to VITA upon VITA's Acceptance of the applicable Milestone and in accordance with the schedule and amounts set forth in **Exhibit 4.1 (Pricing and Volumes Matrix)**. At the time VITA Accepts the first Critical Milestone, VITA may elect to amortize all Milestone Charges reflected in **Exhibit 4.1 (Pricing and Volumes Matrix)** over five years. If VITA so elects, VITA shall pay the total of all Milestone Charges reflected in **Exhibit 4.1 (Pricing and Volumes Matrix)** in sixty (60) equal monthly payments beginning with Acceptance of the first Critical Milestone.

Milestone Charges consist of Charges for performance, attainment and Acceptance of certain Milestone Deliverables and must be set forth in **Exhibit 4.1 (Pricing and Volumes Matrix)**. Such Milestone Charges shall be itemized on the applicable Monthly Invoices to VITA in sufficient detail to delineate the specific nature of the Charges and the applicable percentage thereof then payable. The invoice will clearly identify each Milestone Charge (e.g., Implementation Services Charges shall be clearly identified as "Charges for Implementation Services"), as well as by the relevant Implementation Milestone Identifier with which it is associated).

#### 3.1 Monthly Module Charges

**Implementation Modules.** Certain Services are available to Go Live prior to the Commencement Date. These Services are delineated as Implementation Modules, described in **Exhibit 2.4** (Implementation Plan). The Charges associated with these Services will be billed at the Monthly Module Run Rates shown in **Exhibit 4.1 (Pricing and Volumes Matrix)**.

If VITA elects to cause an Implementation Module to Go Live prior to the Commencement Date, then the Supplier shall invoice the applicable Charges beginning the month following VITA's Acceptance of the final Milestone associated with that Implementation Module.

The Monthly Module Run Charges associated with Implementation Modules shall no longer be applicable or invoiced upon the Commencement Date.

**Foundational Modules.** Charges associated with the Services delineated as Foundational Modules in **Exhibit 2.4 (Implementation Plan)** shall be invoiced by Supplier on a monthly basis

at the applicable Monthly Module Run Rates shown in **Exhibit 4.1 (Pricing and Volumes Matrix)** subject to the following:

(1) Charges associated with Implementation Foundation shall be billable by Supplier only for the period beginning nine (9) months following Transition Day 1 as shown in **Exhibit 2.4.1 (Implementation Milestones)** and ending upon the Commencement Date. Supplier shall not invoice, and VITA shall not be obligated to pay, any Charges for Implementation Foundation during any period in which the Commencement Date is delayed as a result of acts or omissions of Supplier.

(2) The DART Services and Special Projects Management Support are optional Services that may be ordered by VITA at any time on a monthly basis, with an initial minimum quantity of three (3) months. Notwithstanding the foregoing, Special Projects Management Services will be chargeable at the rates shown on the Rate Card in Exhibit 4.1 (Pricing and Volumes Matrix) and according to the scope established in a mutually agreed statement of work.

## 4.0 Solution Services

### (1) Remuneration.

Supplier may be engaged to perform Solution Services under the Agreement in accordance with the provisions of **Section 1.3 (Solution Services)** of the Agreement.

To the extent Solution Services are subject to additional Charges pursuant to **Section 1.11.3** of the Agreement, such Solution Services shall be documented in a proposal and subsequently in a Statement of Work under the Agreement executed by Supplier and VITA detailing the Solution Services, including Deliverables (the "Statement of Work"). The alternative pricing methodologies that may be used for Solution Services may include Fixed Fee, Time and Materials (T&M), or Capped T&M.

### (2) T&M and Capped T&M Calculation Rules.

- (a) "Productive Hours" means the number of productive hours actually worked by Supplier Personnel or Supplier Subcontractor to provide the Solution Services within the scope of the approved Statement of Work. Productive Hours do not include:
- (i) Vacation time, holiday time, medical leave, military leave, non-productive commuter travel time and other analogous time;
  - (ii) Time expended by Supplier Personnel to remedy Supplier performance failures or perform warranty services;
  - (iii) Time not authorized by VITA and Customer;
  - (iv) Time devoted to any Supplier overhead functions (Supplier training, Supplier internal meetings, Supplier internal projects, etc.);

- (v) Time devoted to prepare the proposal for the Statement of Work, including the gathering of requirements; or
  - (vi) Work performed that would otherwise be included in on-going support fees for the Services
- (b) "Material" means any additional and direct costs incurred by the Supplier needed to provide the Services within the scope of the approved Statement of Work. Materials do not include:
  - (i) Costs related to general administration and overhead;
  - (ii) End User Computing devices for Supplier Staff and other peripherals (e.g., Laptop, mobile devices, etc.)
- (c) Supplier shall invoice Customer in each month for, and Customer shall pay in accordance with **Section 6 (Charges)** of the Agreement, with respect to each individual Supplier Personnel performing Solution Services (other than with respect to Fixed Fee Projects), the product of:
  - (i) the hourly rate applicable to him or her in his or her role in such month as set forth in the applicable rate card set forth in **Exhibit 4.1 (Pricing and Volumes Matrix)** or the applicable Statement of Work, and
  - (ii) the number of Productive Hours that he or she devoted to providing such Solution Services during such month, subject to the limitations in **Section 4(2)(d)** of this **Exhibit 4**.
- (d) Invoicing is subject to the following limitations:
  - (i) If the Parties have expressly agreed on a maximum number of Productive Hours in a Statement of Work, Supplier shall not charge for Productive Hours beyond such maximum.
  - (ii) The maximum number of hours Supplier may invoice VITA in any month for a single authorized position shall not exceed 42 hours per week unless otherwise agreed in writing by the parties.
- (3) **Productive Hours Reports.**  
Supplier shall provide a monthly report showing all Productive Hours worked by Supplier Personnel for all work that utilizes T&M and Capped T&M remuneration models. Such Productive Hours reports shall include Project Name, Role, Employee Name, Date and any other detail requested by VITA.
- (4) **Termination of Solution Services.**  
VITA may terminate a Statement of Work for Solution Services in accordance with the

Agreement, including **Section 12.2 (Termination for Convenience)** of the Agreement, with no termination fee payable except as may otherwise be expressly provided in such Statement of Work.

## 5.0 Pass-Through Expenses

Subject to prior written agreement of the Parties, Supplier will administer and invoice VITA for Supplier's Pass-Through Expenses identified in **Exhibit 4.1 (Pricing and Volumes Matrix)** in accordance with this section and pursuant to additional procedures to be established by VITA and incorporated in the Service Management Manual. No new Pass-Through Expenses may be added without VITA's prior written consent, which it may withhold in its sole discretion.

It is VITA's expectation that Supplier will not pass on to VITA any administrative or processing costs associated with the Pass-Through Expenses. If VITA determines that its request for goods or services that are to be treated as Pass-Through Expenses will require significant additional resources by Supplier, VITA may enter into a Statement of Work with Supplier to treat the administrative or processing costs associated with the Pass-Through Expense as Solution Services.

## 6.0 Resource Units and Measurement Methodology

The following are the rules for Resource Unit measurement methodology.

- (1) Supplier will maintain the flexibility to respond to changes in Customers' demand for the Services. If the provision of the Services requires increased dedicated support, additional resources, or additional hours of service, Supplier will provide such support, resources, or additional hours of service at no additional charge to VITA (other than for ARCs, as provided herein, and amounts for which VITA is financially responsible as expressly provided in the Agreement).
- (2) Resource Unit usage is measured on a monthly basis to determine Customers' actual utilization of such Resource Units for calculation of Charges as described above. Starting the month following the Commencement date and monthly thereafter Supplier will measure, track and report usage of Resource Units. **Exhibit 4.9 (Billing Triggers)** documents system of record, start date for services, etc. as well as any other items requested for inclusion by VITA. Unless otherwise expressly stated, the Resource Unit volumes will be counted as of the Measurement Date in each calendar month, for purposes of determining the billable Resource Unit count for such month. Unless otherwise agreed by the Parties in the Billing Triggers document, the Measurement Date for each Resource Unit shall be the last day of the Billing Month.
- (3) Calculation of such billable Resource Units will only include counts which as of the Measurement Date are authorized to receive Services by VITA and are actually available for use for the applicable location or users as designated by VITA.

- (4) Supplier's method and tools for measuring, tracking and reporting Resource Units is subject to VITA written approval. Any automated system used by Supplier to perform this responsibility will be configured to track and record all user entries, reports, modifications, and all other actions taken in relation to the billing source data. VITA or its designee may, at any time, perform an audit. Prior to the Commencement Date, VITA and the Supplier will review, the measurement tools and processes for Resource Unit measurement, as well as resulting data, to ensure that such tools and processes are appropriate, accurate, producing consistent data, and reaching all devices that are to be measured. Such review will be subject to VITA written approval.

## 7.0 Invoices

- (1) VITA will pay each invoice in accordance with **Section 4 (Charges)** of the Agreement. Pursuant to the Implementation Plan, Supplier will develop an invoice substantially similar to the Monthly Invoice format set forth in Exhibit 4.4 (Form of Invoice). Supplier shall make any changes in the Monthly Invoice format as requested in writing by VITA. If Supplier proposes a change to the Monthly Invoice format, such change will be subject to prior written approval of VITA. All invoices will be subject to VITA's review and approval prior to payment.
- (2) Invoices will include the VITA purchase order number or other pertinent information for verification of receipt of the Services by the Customer, as agreed upon by the Parties for providing Charge Back Services, and must provide detailed and customized information as requested, in accordance with the provisions of the Agreement.
- (3) All invoices will be supported by the Chargeback detail, as described in **Section 11** below.
- (4) All invoices will be paid by EFT, unless VITA chooses to pay by a different method.
- (5) All Charges will be expressed, invoiced and paid in U.S. Dollars.
- (6) All Charges will be invoiced in arrears for services rendered.

## 8.0 Charges for Additional Services or Operational Changes

The following describe examples of items that would qualify as No Cost Change pursuant to **Section 1.11.3 (Charges Related to Additional Services and Operational Change)** of the General Terms and Conditions:

- (1) Activities that are part of the day-to-day (i.e. regular, not daily) services included within the monthly Base Charge and/or described in **Exhibit 2 (Description of Services and Solution)**:
  - (a) e.g., The addition of FTEs to an existing Supplier functional group (i.e. Relationship Management)

- (2) Activities Supplier is responsible for in accordance with **Exhibit 4.3 (Financial Responsibilities Matrix)**
  - (a) e.g., Increasing the memory capacity of the CPU in order for equipment to be operational and run n/n-1 software.
- (3) Activities required for the performance of contracted Implementation Services;
  - (a) e.g., The one-time acceleration of server or application consolidation
- (4) A Project described as a Supplier obligation under the agreement;
  - (a) e.g., Customer specific work related to the early upgrade of O/S software
  - (b) The creation or deletion of user accounts, or stand up or tear down of an LPAR.
- (5) Activities required by Supplier to meet the existing Service Levels
  - (a) e.g., The implementation of additional resources (Tools or Personnel) as part of a mitigation strategy for the improvement of failing service levels
- (6) Ongoing evolution of Services to keep pace with developments in the technology marketplace
  - (a) e.g., The installation and implementation of new specialty engines that improve processing productivity.

## 9.0 Travel, Shipping, Packing & Other Expenses

Except for expenses associated with Time and Material Solution Services pursuant to **Section 4.0** of this **Exhibit 4** or otherwise provided in this **Exhibit 4**, all travel and living expenses incurred by Supplier Personnel in the delivery of the Services are included within the Charges and shall not be separately chargeable. All other expenses incurred by Supplier, including all taxes, shipping, packing, postal expenses, and moving expenses, are the financial responsibility of Supplier and are not separately chargeable or reimbursable.

## 10.0 Economic Change Adjustment

- (1) Supplier shall calculate and apply an adjustment to certain Charges to account for inflationary changes. This inflationary adjustment shall be called the “Economic Change Adjustment” or “ECA.” The ECA shall be applied to applicable Charges on an annual basis beginning on the first day of the second Contract Year; however, if Contract Year 1 (MSI Commencement) occurs after December 31, 2018, then the ECA shall be applied to applicable Charges beginning with Contract Year 1.

- (2) All billable items subject to inflationary adjustments shall be referred to as “Inflation Sensitive Billing Items”. All Inflation Sensitive Billing Items shall be listed on the Inflation Sensitivity section of **Exhibit 4.1 (Pricing and Volumes Matrix)**. No ECA shall apply to any Charges not listed in the Inflation Sensitivity section of **Exhibit 4.1 (Pricing and Volumes Matrix)**, including Charges for Additional Services.
- (3) Each Inflation Sensitive Billing Item shall be subject to an “Inflation Sensitivity Factor.” An Inflation Sensitivity Factor is the pre-established percentage that reflects the impact of a change in the rate of inflation on Supplier's cost of delivering the corresponding Services. The Inflation Sensitivity Factors are set forth in **Exhibit 4.1 (Pricing and Volumes Matrix)**.
- (4) Supplier shall use the unadjusted Consumer Price Index For All Urban Consumer (the “CPI-U”), as published by the Bureau of Labor Statistics, U.S. Department of Labor, for purposes of determining the rate of inflation used for the ECA, further described below:
  - Series Id: CUUR0000SA0
  - Series Title: All items in U.S. city average, all urban consumers, not seasonally adjusted
  - Area: U.S. city average
  - Item: All items
  - Base Period: 1982-84=100

Supplier shall use the original data values of the CPI-U (not the “x-month percent change” values). As of the effective date, the CPI-U original data values can be found at [bls.gov](https://www.bls.gov) under Data Tools>Top Picks>Price Indexes.

In the event the Bureau of Labor Statistics stops publishing the CPI-U or substantially changes its content and format, VITA and Supplier shall substitute another comparable index published at least annually by a mutually agreeable source. If the Bureau of Labor Statistics merely redefines the base year for the Price Index from 1982-84 to another year, Supplier shall continue to use CPI-U, but shall convert the Base Year Index to the new base year by using an appropriate conversion formula.

- (5) Supplier shall submit annually a report, for review and approval, showing the ECA Factor to be applied in the upcoming Contract Year, along with the ECA calculation, the applicable Pre-ECA Charges, and the applicable Charges with ECA applied.
- (6) The ECA adjustment amount shall be calculated according to the following steps:
  - The Supplier shall calculate the “Effective Rate of Inflation,” the rate of inflation used to determine the Economic Change Adjustment.
  - The Effective Rate of Inflation shall be calculated as a function of the “Base Year Index” and the “Current Year Index” as stated in the formula and language below:

(i) Effective Rate of Inflation = Lesser of A and B

(ii)  $A = (\text{Current Year Index} - \text{Base Year Index}) / \text{Base Year Index}$

(iii)  $B = 3\%$

- The Current Year Index shall be the average of the CPI-U data values for the final six (6) months available at the ECA calculation due date.
- The Base Year Index shall be the average of the CPI-U data values for the same six (6) months used for the Current Year Index, but for the previous year.
- The Effective Rate of Inflation used for the ECA calculation shall be expressed as a percentage.
- The Supplier shall calculate the "Inflation Factor" by multiplying the Effective Rate of Inflation by the applicable Inflation Sensitivity Factor and adding 1.

(i)  $\text{Inflation Factor} = (\text{Effective Rate of Inflation} * \text{Inflation Sensitivity Factor}) + 1$

- The Supplier shall calculate the "ECA Factor" by subtracting 1 from the product of all Inflation Factors that have been calculated for each Contract Year that an ECA has been applicable, including the Inflation Factor being calculated for the upcoming contract year. The following equation describes the ECA Factor calculation:

(i)  $\text{ECA Factor} = (\text{Inflation Factor 1} * \text{Inflation Factor 2} * \dots * \text{Inflation Factor "n"}) - 1$ ,

- The Supplier shall calculate the ECA by multiplying the "Pre-ECA Charges" by the ECA Factor. The following equation describes the ECA calculation:

(i)  $\text{ECA} = \text{Pre-ECA Charges} * \text{ECA Factor}$

(ii) The Pre-ECA Charges are the Charges for Inflation Sensitive Billing Items prior to application of the ECA adjustment.

(7) Below are ECA example calculations based on the following assumptions:

ECA calculation is calculated and delivered May 1, 2017;

The Inflation Sensitivity Factor is 70%;

The Base Year Index is 2016, which equals 236.525;

The amount of the Inflation Sensitive Charge is \$500,000; and

The following CPI-U Index examples:

Example CPI-U Inflation Indices				
	2016	2017	2018	2019

Avg. CPI-U Index, for six months ending March	236.525	241.475	248.249	257.735
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This results in the ECA calculated values depicted in the table below and described in the following text.

	Contract Year 1	Contract Year 2	Contract Year 3	Contract Year 4
Effective Rate of Inflation	N/A	2.093%	2.805%	3.000%
Inflation Sensitivity Factor	N/A	70%	70%	70%
Inflation Factor	N/A	1.0147	1.0196	1.0210
ECA Factor	N/A	0.0147	0.0346	0.0563

The ECA calculations for Contract Year 1 are not applicable (the ECA does not apply until July 2017). For Contract Year 1, the invoice amounts shall not be adjusted for Economic Change Adjustment.

In the example above, all Pre-ECA Charges for Contract Year 3 shall be multiplied by .0346, the ECA Factor, and the \$500,000 in Pre-ECA Charges shall be adjusted by \$17,287 to become \$517,287 [ $\$500,000 + (\$500,000 * .0346)$ ].

## 11.0 Chargeback

- 1) Supplier (in its capacity as the MSI), will be the financial intermediary between the other Integrated Suppliers and VITA. In this role, Supplier will perform the Chargeback functions indicated in **Exhibit 2.1 (Description of Services)**
- 2) Chargeback development
  - a) Any time during the Term, if requested by VITA, the Supplier will manage the Chargeback unit rate development process in accordance with the methodology as determined by VITA; i.e., VITA will provide the methodology, but the Supplier will develop the calculations and maintain the process.
  - b) At a minimum the Chargeback System will provide VITA detailed billing data by Customer, Customer account identifier, by cost center, by Project, by Service category, by Resource Unit, and by such other factors requested by VITA, including the ability to track usage by Application (e.g., what Server instances, Storage, and other charges are associated with a

given Customer application) and Customer (e.g., what EUC, Voice, Email, and other charges are associated with Customer).

## 12.0 Financial Planning and Forecasting

The Supplier will provide VITA a rolling semi-annual forecast of Charges by Customer and Resource Unit Category (or other charge type as appropriate) for the next 3 years immediately following the time in and for which each such forecast is provided. Such forecasts will include Base Charges, Milestone Charges, and all other Charges appearing on the Chargeback Invoice, by Customer, and shall be delivered by Supplier to VITA on January and July 1<sup>st</sup>, and shall include all information available at the time of forecasting (e.g., seasonal variations; existing trends; volume changes as a result of current and planned projects; known rate changes; commencement or cessation of charges, forecasted milestone completion, known legislative actions, etc.).

## 13.0 Customer Data Center Space and Customer Remote Facilities

n/a

## 14.0 Termination Fees

**Section 14.1 (Supplier Costs Build-Up)** below describes the categories of potential termination fees and, if applicable, their manner of calculation. Termination fees are applicable if and only to the extent a termination fee is expressly provided for under the applicable termination provision of the Agreement. There are no other termination related fees due from VITA, except as described below.

### 14.1 Supplier Costs Build-Up

Termination fees are calculated based upon different categories of potential Supplier costs, as described below. The actual amount of termination fees payable by VITA will, for each category, be equal to the lesser of the calculation for that category, or the cap for that same category as detailed in **Exhibit 4.1 (Pricing and Volumes Matrix)**

#### (1) Supplier Equipment

The following applies only with respect to Equipment that is (a) owned by Supplier (including Equipment owned by Affiliates of Supplier) and (b) used on a fully dedicated basis to perform the Services prior to VITA's notice of termination. If (i) due to such termination such Equipment will no longer be used by Supplier to provide Services; (ii) none of VITA, other Customers or their designee(s) have elected to purchase such Equipment pursuant to **Section 13.3.4 (Equipment)** of the Agreement; and (iii) neither Supplier nor its Subcontractors are not able to redeploy such Equipment through diligent effort within sixty (60) days of the date on which such Equipment is no longer required to perform any Affected Services, then the termination fee for this

category will equal the sum, for all such equipment, of the lesser of fair market value or net book value, net of any amounts recovered by Supplier or Subcontractors through the sale or other disposition of such Equipment. Supplier will use commercially reasonable efforts to minimize the costs described above, including by: (i) working with VITA to identify all commercially reasonable means to avoid or minimize such costs, (ii) make the Equipment described in this Subsection available to VITA, Customers and their designee(s) in accordance with **Section 13.3.4 (Transition Out Assistance, Equipment)** of the Agreement, (iii) redeploy any such Equipment that is not assumed or acquired by VITA, any Customer or their designee(s) within Supplier's, any Affiliate's or any Subcontractor's organization if, and as soon as, commercially reasonable, and (iv) sell, cancel or otherwise dispose of any such Equipment that cannot be redeployed.

(2) **Employee Severance Costs**

The following applies only to Supplier's employees that are fully dedicated and solely assigned to the provision of Affected Services over the six (6) month period prior to the notice of termination (the "**Eligible Supplier Employees**"). For this category, the termination fee will equal the product of (A) the "Severance Cost Per Employee" (as specified in **Table 1** below for the Contract Year during which the date of severance occurs), multiplied by (B) the number of Eligible Supplier Employees that are actually terminated within the later of (1) the effective date of the relevant termination and (2) sixty (60) days after the date on which each such employee ceases to perform the Affected Services; provided, however, that such amounts will not be payable with respect to Eligible Supplier Employees who, during such sixty (60) day period:

- (a) are transferred to VITA, any other Customer or their designee(s) or who are offered and accept employment with VITA, any Customer or their designee(s);
- (b) Supplier declines to make available for transfer to or employment by VITA, other Customers and their designee(s); or
- (c) are offered employment with VITA, other Customer or their designee(s) at equal or higher compensation (taking into consideration the total benefits package), but who do not accept such offer

Table 1: Severance Cost Per Employee				
Contract Year 1	Contract Year 2	Contract Year 3	Contract Year 4	Contract Year 5
\$0	\$0	\$0	\$0	\$0

(3) **Supplier's Third Party Contracts**

- (a) With respect to Supplier's Third Party Contracts (including leases, licenses, and services contracts with Supplier's Third Parties) that are (A) no longer to be used

to provide Services due to the relevant termination event, (B) which are identified in **Exhibit 4.8 (Third Party Contracts)**, and (C) are used by Supplier solely to perform the Services. If VITA, the Customers and their designee(s) decide not to assume any such Third Party Contract and Supplier is not able to use such Third Party Contract in connection with its performance of services for any other Supplier customers within sixty (60) days of the date on which such Third Party Contract is no longer required to perform the Affected Services, then the termination fee for this category will equal any termination or cancellation fees that Supplier is contractually required to pay to the counter-party to such Third Party Contract in connection with the early termination of such Third Party Contract.

- (b) Supplier and its Affiliates and Subcontractors will use commercially reasonable efforts to avoid and minimize the costs described in clause (a) above. The commercially reasonable efforts to be employed by Supplier and its Affiliates and Subcontractors will include, to the extent applicable, (A) working with VITA to identify all commercially reasonable means to avoid or minimize such costs, (B) redeploying any such Third Party Contracts that are not assumed or acquired by VITA, any Customer or their designee(s) within Supplier's, any Affiliate's or any Subcontractor's organization if, and as soon as, commercially reasonable, (C) negotiating with the applicable counter-parties to such Third Party Contracts to eliminate or reduce such costs, and (D) canceling or otherwise disposing of any such Third Party Contracts that cannot be redeployed.

(4) **Unrecovered Milestone Charges**

The Termination Charges will, to the extent applicable, include the unpaid balance of Milestone Charges for those milestones in **Exhibit 4.1 (Pricing and Volumes Matrix)** that have been completed by Supplier and Accepted by VITA (the "**Unrecovered Milestone Amount**"). For purposes of calculating the Unrecovered Milestone Amount, the amount representing the balance due will be discounted back to present value using the rate implicit in the difference between Scenario 1 and 2 in **Exhibit 4.1 (Pricing and Volumes Matrix)**, "Milestone Charges". The Unrecovered Milestone Amount will be calculated and due and payable at such time that VITA no longer receives the Affected Services, including any Termination Assistance Services associated therewith.

## **14.2 Calculation of Termination Fee**

The applicability (expressed in terms of a percentage of the potential total) of the categories of termination fee described above is based on the type of termination being exercised (i.e., Cause, Convenience, etc.), as described in the termination categories table below:

## Termination Fees by Termination Categories

	Cause § 12.1 of Agreement	Privatization, Divestiture or Dissolution of VITA § 12.3.1 of Agreement	Change in Control § 12.3.2 of Agreement	Adverse Changes in the Supplier's Financial Circumstances § 12.3.3 of Agreement	Non- Appropriati on of Funds § 12.3.4 of Agreement	Regulatory Terminatio n Rights § 12.3.5 of Agreement	Force Majeure § 21.3.3 of Agreement	Conveni ence § 12.2 of Agreement
Unrecovered Implementation Charges	0%	0%	0%	0%	0%	0%	0%	100%
Employee Severance	0%	0%	0%	0%	0%	0%	0%	100%
Supplier Equipment	0% <sup>(1)</sup>	0% <sup>(1)</sup>	0% <sup>(1)</sup>	0% <sup>(1)</sup>	0% <sup>(1)</sup>	0% <sup>(1)</sup>	0% <sup>(1)</sup>	100%
Third Party Contracts (Software Licenses)	0% <sup>(2)</sup>	0% <sup>(2)</sup>	0% <sup>(2)</sup>	0% <sup>(2)</sup>	0% <sup>(2)</sup>	0% <sup>(2)</sup>	0% <sup>(2)</sup>	100%
Third Party Contracts (Facility Buildout)	0% <sup>(3)</sup>	0% <sup>(3)</sup>	0% <sup>(3)</sup>	0% <sup>(3)</sup>	0% <sup>(3)</sup>	0% <sup>(3)</sup>	0% <sup>(3)</sup>	100%
Early Lease Terminations	0%	0%	0%	0%	0%	0%	0%	100%

## Table Notes

**Note 1:** While no termination fee for Equipment is due, VITA has the right but not the obligation to acquire Equipment and would pay the appropriate amount as described in this section for the equipment that they chose to acquire. (See, **Section 13.3.4 (Equipment)** of the Agreement)

**Note 2:** While no termination fee for software licenses is due, VITA has the right but not the obligation to acquire software licensing and would pay the appropriate amount as describe in this section for the equipment that they chose to acquire. (See, **Section 13.3.6 (Third Party Contracts)** of the Agreement)

**Note 3:** While no termination fee for Third Party Contracts is due, VITA has the right but not the obligation to acquire Third Party Contracts, if transferable, and would pay the appropriate amount as described in this section for the Third Party Contracts that they chose to acquire. (See, **Section 13.3.6 (Third Party Contracts)** of the Agreement)

- (1) As described above, if VITA terminates the Agreement in its entirety pursuant to the Terms of the Agreement, the Termination Charges will be the sum of the applicable costs described above, multiplied by the applicable percentage shown in the table above. If VITA partially terminates the Agreement, the Termination Charges payable with respect to such termination will be the sum of the applicable costs described above, multiplied by the applicable percentage shown in the table above, reduced in proportion to the portion of the terminated Services.

- (2) Termination fees shall be calculable and payable as of the date of cessation of the Affected Services (including Transition-Out Services). Supplier will prepare an itemized calculation of the expected termination fee and deliver it to VITA within thirty (30) days after Supplier's receipt of the notice of termination. Such calculation will contain such documentation as is reasonably necessary to validate the potential termination fees and Supplier shall address VITA's questions regarding such calculation and documentation. VITA will be entitled to audit the actual termination fee. Supplier will invoice VITA for the applicable termination fees owed Supplier (as applicable) following the date agreed with VITA as the date of cessation of the Affected services (including Transition-Out Services) and such invoice will be due and payable in accordance with the Agreement.

### 14.3 Return of Prepayments

Any Charges, expenses, refunds, rebates, credits or other amounts prepaid by VITA which Supplier has not (a) paid back to VITA or (b) applied to invoices presented for Services rendered prior to the date on which the relevant termination fees, if any, are calculated pursuant to **Section 6.6 (Prepaid Amounts and Refundable Items)** of the Agreement shall be, at VITA's option, credited toward such termination fee or paid to VITA to the extent such amounts are related to the Services implicated by the relevant termination event.

## 15.0 Refresh

- (1) **Refresh.** At its expense, Supplier will Refresh Equipment in accordance with the timeframes and Refresh requirements set forth in the **Exhibit 4.3 (Financial Responsibilities Matrix)** and **Exhibit 2 (Description of Services and Solution)** to the Agreement. VITA may request that Supplier expedite or delay the Refresh of Equipment to a timeframe other than that provided in **Exhibit 4.3 (Financial Responsibilities Matrix)**. Upon any such request Supplier will promptly prepare and deliver to VITA an assessment of the impact, if any, that any such delay or expedite would have on Service Levels, Charges or Supplier's ability to otherwise deliver the Services. VITA may discuss such impacts with Supplier and agree upon any modifications to Supplier's responsibilities, the Service Levels or Charges applicable in the case of any delay or acceleration of the Refresh. With respect to any Supplier Equipment or Software for which Refresh is not set forth in the **Exhibit 4.3 (Financial Responsibilities Matrix)**, Supplier will Refresh such Equipment and Software as necessary to ensure that such Equipment and Software has sufficient capacity and capabilities to allow Supplier to perform its obligations under this Agreement.
- (2) **Refresh Disruption & Deferment.** Supplier will minimize disruption to VITA and Customers in connection with any Refresh. VITA may request, and Supplier will reasonably agree, to defer the implementation of Refresh.
- (3) **Refresh Cycle.** Refresh will be performed throughout the Term in accordance with the timing specified in the column marked "Refresh Cycle" in **Exhibit 4.3 (Financial Responsibilities Matrix)**. Each Contract Year, Supplier will Refresh an equal proportion of

the population, such that all Equipment and Software is Refreshed in accordance with the Refresh Cycle. For example, an asset with a Refresh Cycle of 5 years will have 20% of its population Refreshed per Contract Year.

- (4) **Refresh Plan.** At the beginning of each Contract Year, Supplier will prepare a Refresh plan for VITA's approval, which will describe the assets to be refreshed during the year to meet Supplier's Refresh obligations. Supplier will report on progress against the Refresh plan on a monthly basis and update the plan quarterly. Both in the creation and updating of the Refresh plan, Supplier will propose for Refresh those assets which will maximize the benefit for VITA (the oldest assets and those with the highest business impact) while minimizing the business disruption caused by the Refresh.
- (5) **Refresh not Performed.** At the end of each Contract Year, if any Refresh was not performed in compliance with the requirements described in this Section and **Exhibit 4.3 (Financial Responsibilities Matrix)**, then Supplier will owe a credit to VITA equal to the cost of the Hardware and Software not Refreshed and the labor necessary to perform the Refresh.

## 16.0 Taxes

VITA and Supplier's responsibilities with respect to taxes are set forth in **Section 6.3 (Taxes)** of the Agreement.

## 17.0 Service Level Credits

Any Service Level or Critical Deliverable credits incurred by Supplier pursuant to **Section 3.2 (Service Level Credits)** of the Agreement will be credited by Supplier to the extent specified in **Exhibit 3 (Reporting and Service Level Management)**.

## 18.0 Financial Responsibility Matrix

VITA and Supplier financial responsibilities with respect to affected personnel, equipment, software, and facilities are set forth in **Exhibit 4.3 (Financial Responsibility Matrix)**.