

**Appendix 3 to  
Seventh Amendment of  
Master Service Agreement**

**June 28, 2013**



**Exhibit to Data Center Services  
to Multisourcing Service Integrator  
Master Services Agreement**

**DIR Contract No. DIR-DCS-MSI-MSA-001**

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Between

**The State of Texas, acting by and through  
the Texas Department of Information Resources**

*and*

**Capgemini America, Inc.**

**Exhibit 4**

**Pricing and Financial Provisions**

June 28, 2013

Change Log

CCR	Amendment	Date	Description
CCR 15 and CCR 16	Second Amendment	June 30, 2012	Section 8.3 Work activities true up. (i) Revised from 90 days to 120 days for work activities to be performed
CCR 15 and CCR 16	Second Amendment	June 30, 2012	Section 10.1 Transition and Transformation Charges Adjustment section deleted.
CCR 15 and CCR 16	Second Amendment	June 30, 2012	Section 16. Financial Planning and Forecasting Amended to align with State Fiscal year.
CCR 62	Eighth amendment	June 28, 2013	Section 19.1 Resources Unit Categories instances definition added. Instances are counted on the last day of the calendar month and counts are adjusted to include any Instance in service for at least one (1) day of the calendar month.

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**EXHIBIT 4**  
**PRICING AND FINANCIAL PROVISIONS**

Update Methodologies and Attachments to **Exhibit 4**

The following update methodologies and attachments are incorporated as part of **Exhibit 4**:

Title	Methodology for Updating Associated Exhibit Attachments
<b><u>Exhibit 4</u></b> Pricing and Financial Provisions	<b><u>Exhibit 4</u></b> may only be modified by formal amendment, in accordance with <b><u>Section 21.7</u></b> of the MSA.
<b><u>Attachment 4-A</u></b> Service Provider Pricing Forms	<b><u>Attachment 4-A</u></b> may be updated in accordance with the provisions in <b><u>Exhibit 4</u></b> . Any changes not provided for in <b><u>Exhibit 4</u></b> shall be modified by formal amendment, in accordance with <b><u>Section 21.7</u></b> of the MSA.
<b><u>Attachment 4-B</u></b> Financial Responsibility Matrix	<b><u>Attachment 4-B</u></b> may only be modified by formal amendment, in accordance with <b><u>Section 21.7</u></b> of the MSA
<b><u>Attachment 4-C</u></b> Financial Base Case	<b><u>Attachment 4-C</u></b> is a point of reference at contract execution. No updates to <b><u>Attachment 4-C</u></b> are anticipated.
<b><u>Attachment 4-D</u></b> Resource Baselines	<b><u>Attachment 4-D</u></b> may be updated in accordance with the provisions in <b><u>Exhibit 4</u></b> . Any changes not provided for in <b><u>Exhibit 4</u></b> shall be modified by formal amendment, in accordance with <b><u>Section 21.7</u></b> of the MSA.
<b><u>Attachment 4-E</u></b> Service Tier Matrix	<b><u>Attachment 4-E</u></b> updates are made in accordance with the version control procedures set forth in <b><u>Attachment 6-B</u></b> , Section 2.1, of the Service Management Manual
<b><u>Attachment 4-F</u></b> Form of Invoice	<b><u>Attachment 4-F</u></b> is a point of reference at contract execution. No updates to <b><u>Attachment 4-F</u></b> are anticipated. Any updates to the invoice shall be made in accordance with the Change Management Process.

## 1. Introduction

This Exhibit describes the methodology for calculating the Charges for all of the Services, unless otherwise expressly provided in the Agreement. In addition, this Exhibit describes the measurement and tracking of resource utilization.

All capitalized terms used and not defined in this Exhibit shall have the same meanings given them in the Agreement and other Exhibits.

## 2. Accuracy, Completeness and Interpretation

Service Provider shall be responsible for the accuracy and completeness of the operational and financial assumptions underlying its pricing, and if such assumptions are incorrect or incomplete, Service Provider shall not be entitled to adjust its pricing or any other terms of the Agreement.

All Charges calculated in accordance with this Exhibit shall be invoiced to DIR by Service Provider in accordance with the applicable invoice and payment provisions set forth in **Section 12** of the Agreement.

Unless otherwise specified, (i) Section or Attachment references in this Exhibit refer to the Sections of or Attachments to this Exhibit, respectively, and (ii) Exhibit references in this Exhibit are to Exhibits of the Agreement.

## 3. Annual Base Charges

The Annual Base Charges for the Stub Period and each Contract Year are set forth in **Attachment 4-A** and are the fixed charges to DIR for Service Provider's provision of the Services in accordance with the levels of Resource Unit (RU) usage included in the Monthly Resource Baselines set forth in **Attachment 4-D**. The Monthly Resource Baselines may be revised from time to time by agreement of the Parties based on the usage, demand and business requirements of DIR Customers and, in such event, the Annual Base Charges will be adjusted accordingly. The Annual Base Charges may only be modified over time in accordance with the Agreement, including this Exhibit. Service Provider acknowledges and agrees that the Annual Base Charges, as adjusted pursuant to this Exhibit, fully compensate Service Provider for providing the Services at the Resource Unit usage levels of the Monthly Resource Baselines. Service Provider shall invoice DIR on a monthly basis in accordance with **Section 12.1** of the Agreement for a pro rata portion of the Annual Base Charge, which shall be calculated by dividing the Annual Base Charge specified in **Attachment 4-A** for the Stub Period or applicable Contract Year by the number of months in the Stub Period or applicable Contract Year, as applicable. If the actual consumption of a Resource Unit in any month is greater or less than the applicable Monthly Resource Baseline, an Additional Resource Charge (ARC) or Reduced Resource Credit (RRC) shall be applied, as provided in this Exhibit. Service Provider

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acknowledges and agrees that the combined total of the Base Charge plus the ARC or minus the RRC fully compensate the Service Provider for providing the Services at the actual consumption volume of a Resource Unit in a month for all Resource Unit Categories inclusive of the Consolidated Data Centers and the Non Consolidated Service Locations. The Service Provider shall not impose any fixed or monthly required minimum fees or support level pricing for any Resource Baseline or at the total contract level; in no event will DIR be required to pay Service Provider for volumes not consumed or utilized by DIR.

#### **4. Resource Unit Measurement Methodology**

In managing the provision of Resource Units, Service Provider shall maintain the flexibility to respond to changes in DIR's and DIR Customers' demand for the Services on a day-to-day and month-to-month basis, particularly as to those portions of the Services where DIR and DIR Customers experience significant variations in demand. Unless otherwise provided in the Agreement, if the provision of the Services requires increased dedicated support, additional resources, or extended hours of service, Service Provider shall provide such support, resources, or extended hours of service at no additional charge to DIR or DIR Customers (other than for ARCs, as provided herein, and amounts for which DIR is financially responsible as expressly provided in **Attachment 4-B**).

Billable Resource Unit usage is reported to the Service Provider on a monthly basis by Service Component Providers to determine DIR Customers' actual utilization of such Resource Units compared to the applicable Monthly Resource Baseline for purposes of calculating ARCs and RRCs. Starting on the Commencement Date and monthly thereafter, Service Provider will track and report usage of Resource Units based on the data provided by the Service Component Provider. Unless otherwise expressly stated herein with respect to an RU, Service Provider will measure and determine as of the last day of each calendar month the RU volume used in determining if ARCs or RRCs are applicable for purposes of determining the Resource Unit count for such month. Service Provider's method and tools for measuring, tracking and reporting RUs is subject to DIR approval. Any automated system used by Service Provider to perform this responsibility shall be configured to track and record all user entries, reports, modifications, and all other actions taken in relation to the billing source data. DIR or its designee may, at any time, perform an audit of such automated system and all source data in accordance with **Section 9.9** of the Agreement.

Service Provider shall be responsible for recording all ARCs and RRCs due, and for reflecting these amounts in each Monthly Invoice, effective the month following completion and approval by DIR of the Resource Baseline True-Up. Service Provider shall present all applicable ARCs and RRCs for a particular month in one Monthly Invoice in accordance with **Section 12.1** of the Agreement. Service Provider will calculate ARCs and RRCs using the applicable ARC rates and RRC rates for each Resource Unit Category.

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**5. Changes to Resource Categories and Resource Baselines**

DIR may from time to time (e.g. based on information provided by Service Provider in response to a DIR request for analysis for savings opportunities pursuant to **Section 9.5(c)** of the Agreement) propose to add to or remove Resource Unit Categories and may also from time to time, by giving at least thirty (30) days notice to Service Provider (or such shorter period as may be required by applicable Laws), move Charges from one Resource Unit Category to another Resource Unit Category, in each case for purposes of re-allocating the pricing under the Agreement without changes in scope; provided that, in any such event, the aggregate Monthly Charges for all Resource Unit Categories shall not be increased or decreased as a result of such re-allocation. Notwithstanding the foregoing, in connection with changes to Resource Unit Categories, DIR may also propose appropriate adjustments to reduce the existing or new Resource Baselines and associated Base Charges and ARCs and RRCs, as applicable, to reflect advancements or changes in technology and related changes in functionality and relative performance, where applicable. If DIR proposes to add or remove a Resource Unit Category or move Charges from one Resource Unit Category to another, the Parties shall agree on the Resource Unit Baseline and Charges components applicable thereto and on corresponding adjustments to the Resource Baselines, Base Charges, ARC rates and RRC rates, and other Charges components for the remaining other Resource Unit Categories. Notwithstanding the foregoing, to the extent any of the foregoing changes are required by federal funding requirements or applicable Laws, Service Provider will implement such changes in a timely manner upon notice from DIR, and if such changes require the addition or removal of a Resource Unit Category, then the Resource Unit Baseline and Charges components applicable thereto and the corresponding adjustments to the Resource Baselines, Base Charges, ARC rates and RRC rates, and other Charges components for the remaining other Resource Unit Categories shall be equitably adjusted by the Parties.

**6. Additional Resource Charges and Reduced Resource Credits (ARCs and RRCs)**

DIR Customers' increased or decreased consumption of Resource Units may result in ARCs or RRCs as set forth herein. After the completion of each month during the Term, starting with the first calendar month end after the completion and Acceptance by DIR of the Resource Baseline True-Up, Service Provider shall calculate ARCs and RRCs as set forth in this Section.

Service Provider shall be responsible for recording all ARC amounts due and RRC credits due, and for reflecting these amounts in the Monthly Invoice. All applicable ARCs and RRCs for a particular month shall be presented in one (1) invoice. ARCs billed and RRCs credited in a subsequent month's invoice will be calculated using the rates applicable in the month in which the ARCs or RRCs were incurred.

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After the completion of each month subsequent to the Commencement Date, Service Provider shall determine the quantity of Resource Units actually consumed for each Resource Unit Category by each DIR Customer. There shall be no change in the Charges otherwise payable to Service Provider during a given month unless the number of Resource Units for a Resource Unit Category actually used during such month exceeds or is less than the applicable Monthly Resource Baseline. In the event such actual use exceeds or is less than the applicable Monthly Resource Baseline, Service Provider shall invoice DIR for an ARC or credit DIR a RRC, as applicable, as follows:

If DIR Customers' consumption of any Resource Unit is above the applicable Monthly Resource Baseline, DIR must pay the applicable ARC for each such Resource Unit at the applicable ARC rate, calculated as follows:

$$\text{ARC} = [(\text{Actual Resource Units} - \text{Monthly Resource Baseline}) \times \text{ARC rate}]$$

If DIR Customers' consumption of any Resource Unit is below the applicable Monthly Resource Baseline, DIR shall be credited the applicable RRC for each such Resource Unit at the applicable RRC rate, calculated as follows:

$$\text{RRC} = [(\text{Monthly Resource Baseline} - \text{Actual Resource Units}) \times \text{RRC rate}].$$

The unit rates for ARCs and RRCs will be symmetrical.

## 7. Adjustments to Charges

Annual Base Charges, ARC rates and RRC rates are valid within the bands associated with each of the Resource Baseline volumes, as set forth in **Attachment 4-A**. If any actual Billable Resource Unit count is above or below this range for six (6) consecutive months, then the Annual Base Charge, Resource Baseline, ARC rate and RRC rate for that Billable Resource Unit shall be equitably adjusted by the Parties, provided that any such adjustments to the Annual Base Charge, ARC rate and RRC rate will reflect the different percentage of fixed versus variable costs resulting from the new Resource Baseline. Notwithstanding the previous sentence, any adjustments to the Charges pursuant to this Section shall not (a) be made as a result of any temporary or seasonal fluctuations in the volume of the Services and (b) result in Charges being higher than such Charges would have been if the then-current ARC rates and RRC rates had been applied.

Pursuant to Section 5, DIR may, in its sole discretion and upon notice to Service Provider, direct Service Provider to move Charges from one Resource Unit Category to another to maintain alignment of delivery costs with Services provided and to preserve a competitive chargeback unit rate, particularly in the case of volume movements from one Resource Unit Category to another as a result of Resource Baseline True-Up or Transformation Services provided that all Service Component Providers provide data to Service Provider at least 30 days after receipt of DIR's notice. Service Provider shall implement such changes as soon as

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practicable, but in no event more than ninety (90) days from receipt of DIR's notice, and implementation of such changes shall be at no cost to DIR.

## 8. True-Up

### 8.1 Mainframe and Server Services Resource Baseline True-Up

The Mainframe and Server Monthly Resource Baselines shown on **Attachment 4-D** (Resource Baselines) for the Services provided are based upon the Parties' expectation as of the Effective Date of what DIR Customers' actual Resource Unit usage shall be on and after the Commencement Date. The techniques used to measure or calculate actual usage of such Resource Units are intended by the Parties to yield the applicable Monthly Resource Baseline volumes shown on **Attachment 4-D** (Resource Baselines).

During the one hundred and twenty (120) days following the Commencement Date, Service Provider shall conduct a one-time True-Up of the Service Component Provider Server Services that will include an inventory of the DIR Customers' Resource Unit utilization including the identification of Server primary capability in the CMDB and validate the Monthly Resource Baselines pertaining to the Services provided. Such inventory shall only be for purposes of verifying and correcting any inaccuracies in the number of such Resource Units comprising each such applicable Monthly Resource Baseline. Service Provider shall submit the inventory data to DIR for DIR's review in accordance with the criteria set forth in the Resource Baseline True-Up Transition Milestone in **Exhibit 19**. Upon DIR's acknowledgement that the inventory data is complete, Service Provider will calculate and propose an adjustment to the initial Monthly Resource Baselines for the Services provided, as set forth in the Service Component Provider **Attachment 4-D** (Resource Baselines), and the initial Monthly Base Charges, as set forth in the Service Component Provider **Attachment 4-A**, with such adjustments to reflect the results of such inventory as further described below. The adjusted Resource Baselines and Monthly Base Charges shall be effective and applied commencing the first calendar month following the month in which DIR and Service Provider reach agreement on such adjustments.

**Baseline Adjustment:** The Monthly Resource Baseline for which a variance exists between (a) the Monthly Resource Baseline shown on Service Component Provider **Attachment 4-D** (Resource Baselines) for such Resource Unit Category and (b) the DIR Customers' actual usage of Resource Units in respect of such Resource Unit Category as of the Commencement Date, the original projected Monthly Resource Baseline for each Contract Year shall be increased or decreased (as applicable) in the aggregate (i.e. preserving the original trends over time of increase or decrease in consumption) by the amount of such variance. For clarification, if a Resource Unit Category was originally projected to have volume changes over the Term, then the baseline adjustment due to True-Up should preserve those projected variations.

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**Base Charges Adjustment:** There shall be no change to the Service Component Provider Charges to the extent the adjustments result from correcting the number of the Resource Units comprising each such Monthly Resource Baseline for volume changes within the True-Up Deadband as described in the Service Component Provider **Attachment 4-A**. If the True-Up volume adjustment is greater than the True-Up Deadband, the Monthly Base Charges for each Resource Unit Category will be increased or decreased (as applicable), on a prospective basis for each Contract Year, by an amount equal to the product of (i) the portion of such variance that exceeds the True-Up Deadband multiplied by (ii) the applicable ARC/RRC rate. The Mainframe CPU Hour is not subject to a change in the Charges. The True-Up for this Resource Unit is intended as Monthly Resource Baseline adjustment only to align with Service Provider measurement normalization methodologies and overhead exclusions.

Prior to completion of True-Up by Service Provider and approval of the Resource Baseline and Base Charge adjustments by DIR, there will be no adjustments to the Service Component Provider Monthly Base Charges through ARC and RRC rates. DIR Customers, however, will be charged on an actual consumption basis using a blended chargeback rate. DIR Customer consumption will be determined based upon Service Provider's measurement of each Resource Unit category effective at Commencement Date monthly through the completion of True-Up.

## **8.2 MSI Resource Baseline True-Up**

With the exception of the CPU Hours and Server Instances – Service Tier Matrix Resource Units, Service Provider Resource Units are not subject to a Resource Baseline True-Up. The Monthly Resource Baseline for CPU Hours and Server Instances – Service Tier Matrix will be adjusted based on the results of the Service Component Provider Resource Baseline True-Up described in Section 8.1.

Upon completion of the Mainframe and Server Services Resource Baseline True-Up, Service Provider will calculate and propose, based on the methodology described below, an adjustment to the initial Monthly Resource Baseline for CPU Hours and Server Instances – Service Tier Matrix Resource Units provided, as set forth in **Attachment 4-D** (Resource Baselines), and the initial Monthly Base Charges for Server Instances – Service Tier Matrix Resource Unit, as set forth in **Attachment 4-A**. Such adjustments are intended to reflect the results of the inventory as further described below. The adjusted Resource Baselines and Monthly Base Charges shall be effective and applied commencing the first calendar month following the month in which DIR and Service Provider reach agreement on such adjustments.

**Baseline Adjustment.** The Monthly Resource Baseline for which a variance exists between (a) the Monthly Resource Baseline shown on **Attachment 4-D** (Resource Baselines) for CPU Hours and Server Instances – Service Tier Matrix Resource Units and (b) the DIR Customers' actual usage of Resource Units in respect of such CPU Hours and Server Instances – Service Tier Matrix Resource

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Unit as of the Commencement Date, the original projected Monthly Resource Baseline for each Contract Year shall be increased or decreased (as applicable) in the aggregate (i.e. preserving the original trends over time of increase or decrease in consumption) by the amount of such variance. For clarification, if a Resource Unit Category was originally projected to have volume changes over the Term, then the baseline adjustment due to True-Up should preserve those projected variations.

Base Charges Adjustment. There shall be no change to the CPU Hour Charges as a result of the Resource Baseline True-Up. There shall be no change to the Server Instances – Service Tier Matrix Charges to the extent the adjustments result from correcting the number of the Resource Units comprising each such Monthly Resource Baseline for volume changes within a 10% True-Up Deadband. If the True-Up volume adjustment is greater than the True-Up Deadband, the Monthly Base Charges for Server Instances – Service Tier Matrix will be increased or decreased (as applicable), on a prospective basis for each Contract Year, by an amount equal to the product of (i) the portion of such variance that exceeds the True-Up Deadband multiplied by (ii) the applicable ARC/RRC rate.

Prior to completion of True-Up by Service Provider and approval of the Resource Baseline and Base Charge adjustments by DIR, there will be no adjustments to the CPU Hours and Server Instances – Service Tier Matrix Monthly Base Charges through ARC and RRC rates. DIR Customers, however, will be charged on an actual consumption basis using a blended chargeback rate. DIR Customer consumption will be determined based upon Service Provider's measurement of each Resource Unit category effective at Commencement Date monthly through the completion of True-Up.

### **8.3 Work Activities True-Up**

The Parties agree and acknowledge that program management of Incident tickets ("Work Activities") performed by Service Provider Personnel are not measured by the Resource Baselines. The initial monthly baseline volume for the Work Activities of 12,593 is based on the information provided in CAP ID0028 Incident DB 20110926.accdb ("Initial Baseline"). Service Provider will measure the volumes for the Work Activities in the 6 months preceding the Commencement Date. If the volumes for the Work Activities (excluding Incidents for pre-commencement activities supporting the MSI and SCPs) in the month prior to Commencement Date shows a variance of more than 20% above the Initial Baseline volumes ("Work Activity Threshold"), then the Parties shall undertake the following during the first 120 days after the Commencement Date:

1. The Parties will use commercially reasonable efforts to reduce the volume of Work Activities to the volume in the Initial Baseline.

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2. Service Provider will identify any (i) impacts to the Services and (ii) options for minimizing such impacts, including (a) prioritization of work, (b) revisions to Service Levels, (c) revisions to SOW, SMM, or OLA responsibilities.
  3. The appropriate Governance committee will choose the option(s) that will be undertaken and the appropriate duration to minimize the impacts of the increased volumes.

## 9. Resource Unit Measurement Validation

Prior to the completion of the Resource Baseline True-Up, DIR and the Service Provider 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. Service Provider will obtain DIR prior Acceptance for all measurement tools, methodologies, processes and reports that are used by Service Provider to measure, track and report Resource Unit usage. For each Service Component Provider and Service Provider Resource Unit, Service Provider will document in the Service Management Manual the tools, methodologies and processes used by Service Provider to measure, track and report Resource Unit usage. This documentation will be completed as part of the Resource Baseline True-Up process. DIR will have the right to access and audit these measurement tools and the data produced as may be requested by DIR from time to time. DIR will also have the right to audit the measurement tools and output results as a means to validate the data of Resource Unit usage on a quarterly basis. DIR may also require Service Provider to utilize a designated measurement tool in the Resource Unit measurement process, at no additional cost to DIR, if audit results determine that the existing measurement tools do not consistently perform accurately or otherwise in accordance with the requirements of this **Exhibit 4**. Any changes to the tools and/or processes proposed by Service Provider require prior Acceptance from DIR, which DIR may withhold in its sole discretion.

## 10. Transition and Transformation Charges

The Charges include certain Transition and Transformation Charges set forth in **Attachment 4-A** that are payable in the amounts set forth and so billed to DIR in accordance with the schedule set forth in **Attachment 4-A** provided that Service Provider has obtained DIR's Acceptance of the applicable Transition Milestones and Transformation Milestones. If the completion and acceptance date of the Transition and Transformation Milestone varies from the date in **Attachment 4-A**, the amortization of the Transition and Transformation Charges will be recalculated based on the remaining months in the initial Term of the Agreement from the date of DIR Acceptance. DIR reserves the option to make a lump sum payment of the Transition and Transformation Charges upon Acceptance of related Milestones (with the appropriate discount applied accordingly).

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Transition and Transformation Charges consist of Charges for performance of all Transition Services and Transformation Services and must be set forth in **Attachment 4-A**. Such Transition and Transformation Charges will be itemized on the applicable Monthly Invoices to DIR in sufficient detail to delineate the specific nature of the Charges and the applicable percentage thereof then payable. The invoice will clearly identify each Transition and Transformation Charges (e.g. Transition Charges will be clearly identified as “Charges for Transition Services” or “Charges for Transformation Services”, as applicable, as well as the relevant Transition Milestone or Transformation Milestone with which it is associated).

## **11. Termination Charges**

### **11.1 Costs**

Termination Charges shall consist of the following costs that are reasonably and actually incurred by Service Provider as a direct result of DIR’s termination of the Agreement, in whole or in part, pursuant to **Section 20.2** of the Agreement:

#### **(a) Service Provider Equipment**

- (i) With respect to Equipment owned by Service Provider (including Equipment owned by Service Provider Affiliates and Subcontractors) that is implicated by the relevant termination event and that is used by Service Provider, Service Provider Affiliates or Subcontractors on a fully dedicated basis to perform the Services, if DIR, the DIR Customers and their designee(s) decide not to purchase such Equipment and Service Provider, Service Provider Affiliates or Subcontractors is/are not able to redeploy such Equipment within sixty (60) days of the date on which such Equipment is no longer required to perform the Termination Assistance Services, the Termination Charges shall consist of the sum of the fair market value (as shall be determined by an agreed-upon appraisal) for each such item of Equipment, net any amounts recovered by Service Provider, Service Provider Affiliates or Subcontractors through the sale or other disposition of such Equipment); provided, however, in the case of any such item of Equipment for which the acquisition cost has been the basis of Charges to DIR (e.g. as in the case of the Hardware Service Charge), the Termination Charges shall consist of the sum of any then unrecovered DIR-approved acquisition costs computed in accordance with the method used to charge DIR therefore.
- (ii) Service Provider shall use commercially reasonable efforts to avoid incurring the costs described in clauses (i) of this Subsection, minimize any such costs that are incurred and/or recover amounts previously paid. The commercially reasonable efforts to be employed by Service Provider, Service Provider Affiliates and

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Subcontractors shall include, to the extent applicable, (A) working with DIR to identify all commercially reasonable means to avoid or minimize such costs, (B) offering to make the Equipment described in clauses (i) of this Subsection available to DIR, DIR Customers and/or their designee(s) in accordance with **Section 4.4** of the Agreement, (C) redeploying any such Equipment that are not assumed or acquired by DIR, any DIR Customer or their designee(s) within Service Provider's, any Service Provider Affiliate's or any Subcontractor's organization if, and as soon as, commercially reasonable, and (D) selling, canceling or otherwise disposing of any such Equipment that cannot be redeployed. The costs to be reimbursed by DIR shall cease to accrue following the redeployment or use of such Equipment for any other purpose and shall be reduced by the net proceeds received from any sale or other disposition.

- (iii) Notwithstanding clauses (i) through (ii) of this Subsection (a), DIR shall not be obligated to pay any Termination Charges with respect to any Equipment implicated by any termination event to the extent (A) DIR, any DIR Customer or their designee(s) purchases any such Equipment or (B) Service Provider, the applicable Service Provider Affiliate or the applicable Subcontractor is unable (unless otherwise expressly agreed by DIR pursuant to **Section 6.4** of the Agreement) or unwilling to offer DIR, the DIR Customers and their designee(s) the right to assume such Equipment.

(b) **Employee Severance Costs**

With respect to Service Provider's employees that are implicated by the relevant termination event and that are fully dedicated to the provision of Services as of the date of DIR's notice of termination ("**Eligible Service Provider Personnel**"), the Termination Charges shall equal the product of (A) the "**Severance Cost Per Employee**" (as specified in Table 1 below for the Stub Period or the Contract Year during which the date of severance occurs), multiplied by (B) the actual number of Eligible Service Provider Personnel that are terminated within the later of (1) the effective date of the relevant termination event and (2) sixty (60) days after the date on which each such employee ceases to perform the Termination Assistance Services; provided, however, that such amounts shall not be payable with respect to Eligible Service Provider Personnel who:

- (i) are transferred to DIR, any DIR Customer or their designee(s) or who are offered and accept employment with DIR, any DIR Customer or their designee(s);
- (ii) Service Provider declines to make available for transfer to or employment by DIR, any DIR Customer or their designee(s); or

- (iii) are offered employment with DIR, any DIR Customer or their designee(s) at equal or higher compensation, but who have the opportunity to remain with Service Provider and elect to do so.

Table 1:

Severance Cost Per Employee						
Stub Period	CY1	CY2	CY3	CY4	CY5	CY6
\$30,900	\$30,900	\$30,900	\$30,900	\$30,900	\$30,900	\$30,900

(c) **Unrecovered Transition and Transformation Charges**

The Termination Charges will, to the extent applicable, include the unpaid balance of Transition and Transformation Charges for those milestones in **Attachment 4-A** that have been completed by Service Provider and approved by DIR (the “Unrecovered Milestone Amount”). For purposes of calculating the Unrecovered Milestone Amount, the amount representing the balance due should be discounted back to present value using the rate implicit in the difference between Scenario 1 and 2 in **Attachment 4-A**, “TnT Milestones”. The Unrecovered Milestone Amount will be calculated and due and payable at such time that DIR no longer receives the terminated Services, including any Termination Assistance Services associated therewith.

(d) **Third Party Contracts**

- (i) With respect to Third Party Contracts (including leases, licenses, and services contracts with Third Parties) that are (A) implicated by the relevant termination event, and (B) used by Service Provider solely to perform the Services; if DIR, the DIR Customers and their designee(s) decide not to assume any such Third Party Contract and Service Provider is not able to use such Third Party Contract in connection with its performance of services for any other Service Provider customers within sixty (60) days of the date on which such Third Party Contract is no longer required to perform the Termination Assistance Services, the Termination Charges shall equal the sum of (A) any termination or cancellation fees that Service Provider 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 and which are specified in **Exhibit 18**, plus (B) subject to Subsection 11.1(a)(i) through (iii),

unrecovered prepaid charges that Service Provider is contractually required to pay to the counter-party to such Third Party Contract during the remaining initial term of such Third Party Contract provided, however, that such unrecovered amounts have been incurred by Service Provider in good faith and with a reasonable expectation of providing the Services pursuant to this Agreement and do not exceed twelve (12) months of charges.

- (ii) Service Provider, Service Provider Affiliates and Subcontractors shall use commercially reasonable efforts to avoid incurring the costs described in clause (i) of this Subsection, minimize any such costs that are incurred and/or recover amounts previously paid. The commercially reasonable efforts to be employed by Service Provider, Service Provider Affiliates and Subcontractors shall include, to the extent applicable, (A) working with DIR 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 DIR, any DIR Customer or their designee(s) within Service Provider's, any Service Provider 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. The costs to be reimbursed by DIR shall cease to accrue following the redeployment or use of such Third Party Contract for any other purpose and shall be reduced by the net proceeds received from any sale or other disposition.

## **11.2 Termination Charges Calculation**

- (a) If DIR terminates the Agreement in its entirety pursuant to **Section 20.2** of the Agreement, the Termination Charges payable with respect to such termination shall be the sum of the applicable costs described in Section 11.1. If DIR terminates a Service Component or otherwise terminates the Agreement in part pursuant to **Section 20.2** of the Agreement, the Termination Charges payable with respect to such termination shall be the sum of the applicable costs described in Section 10.1, equitably reduced in proportion to the portion of the terminated Services.
- (b) Service Provider shall invoice DIR for the Termination Charges owed Service Provider (as applicable) following the date that such Termination Charges are calculated pursuant to **Section 20.10(b)** of the Agreement, and such invoice shall be due and payable in accordance with **Section 12** of the Agreement. Service Provider shall prepare an itemized calculation of the potential Termination Charges and deliver it to DIR within thirty (30) days after Service Provider's receipt of the notice of termination. Such

calculation shall contain such documentation as is reasonably necessary to validate the potential Termination Charges. For the avoidance of doubt, DIR shall be entitled to audit the Termination Charges in accordance with **Section 9.9** of the Agreement.

### **11.3 Return of Payments**

Any Charges, expenses, refunds, rebates, credits or other amounts paid by DIR which Service Provider has not (a) paid back to DIR or (b) applied to invoices presented for Services rendered prior to the date on which the relevant Termination Charges are calculated pursuant to **Section 20.10(b)** of the Agreement shall be, at DIR's option, credited toward such Termination Charges or paid to DIR to the extent such amounts are related to the Services implicated by the relevant termination event.

### **12. U.S. Dollars**

All Charges are expressed and shall be paid in U.S. Dollars.

### **13. Charges for New Services**

If and to the extent that DIR requests Service Provider to perform any New Services in accordance with the terms of the Agreement, the Charges shall be adjusted in accordance with the corresponding proposal submitted by Service Provider and approved by DIR in accordance with **Section 11.5** of the Agreement; provided, however that to the extent that any New Services are FTE-based, the Charges for such New Services shall be subject to the terms of Section 19.9.8, unless the Parties otherwise agree in writing.

### **14. Economic Change Adjustment**

Beginning with the start of Contract Year 2 and each anniversary of such date thereafter during the Term (the "**ECA Adjustment Date**"), Service Provider shall calculate and apply an adjustment to the Inflation Sensitive Charges based upon economic changes (an "**Economic Change Adjustment**" or "**ECA**") as described in this Section 14. Service Provider's entitlement to an ECA is conditioned upon the Service Provider providing DIR the calculation of the ECA for each Inflation Sensitive Charge sixty (60) days in advance of the ECA Adjustment Date and applying the ECA to the first Monthly Invoice for the applicable ECA Adjusted Year.

DIR and Service Provider shall use the average of the six (6) months ending May unadjusted Consumer Price Index, as published in the Summary Data from the Consumer Price Index News Release by the Bureau of Labor Statistics, U.S. Department of Labor, For All Urban Consumers (the "**CPI-U**"), for purposes of determining the Effective Rate of Inflation. In the event the Bureau of Labor Statistics stops publishing the CPI-U or substantially changes its content and format, DIR and Service Provider shall substitute another comparable index

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published at least annually by a mutually agreeable source. The baseline index for purposes of calculating the ECA shall be the CPI-U for the average of the six (6) months ending May of the previous year (the “**Previous Year Index**”). If the Bureau of Labor Statistics merely redefines the base year for the Price Index from 1982-84 to another year, DIR and Service Provider will continue to use CPI-U, but will convert the Previous Year Index by using an appropriate, cost neutral conversion formula.

Beginning with the start of Contract Year 2 and continuing each Contract Year thereafter for the remainder of the Term, the actual CPI-U for the average of the six (6) months ending May of the same Calendar year (the “**Current Year Index**”) shall be compared to the Previous Year Index to determine the effective rate of inflation or deflation to be applied for the upcoming Contract Year (the “**Effective Rate of Inflation**”). The Effective Rate of Inflation shall be computed as follows: the lesser of (Current Year Index – Previous Year Index) / Previous Year Index or the Inflation Adjustment Cap.

Percentages have been established that reflect the impact of a change in the rate of inflation on Service Provider's cost of delivering the Services (the “**Inflation Sensitivity Factor**”). The Inflation Sensitivity Factors are set forth in **Attachment 4-A** (Service Provider Pricing Forms).

The “**Inflation Factor**” shall be determined by adding one (1) to the EffectiveRate of Inflation and multiplying these amounts for each year in which inflation has been calculated. For example, if inflation was 4% in Year 2, 1% in Year 3, and 5% in Year 4, the Effective Rate of Inflation would be 3%, 1%, and 3% respectively, and the Inflation Factor would be 1.071509 (1.03 \* 1.01 \* 1.03).

If the Inflation Factor is equal to or less than one (1), then no ECAs shall be owed hereunder during the Contract Year that begins on the applicable ECA Adjustment Date (the “**ECA Adjusted Year**”). If the Inflation Factor is greater than one (1), then ECAs shall be applied during the ECA Adjusted Year as calculated in accordance with this Section.

The ECA adjustment amount shall be determined by multiplying the Inflation Factor by the amount of the Inflation Sensitive Charges, and then multiplying the difference between this calculated amount and the Inflation Sensitive Charge by the Inflation Sensitivity Factor. ECA changes shall be made on a prospective basis for the Inflation Sensitive Charges payable by DIR during the upcoming Contract Year (i.e. the ECA determined at the beginning of Contract Year 2 using the Current Year Index shall be used for purposes of adjusting all of the Inflation Sensitive Charges payable by DIR during Contract Year 2).

Below are ECA example calculations based on the following assumptions:

ECA calculation begins in September, 2010;

The Inflation Sensitivity Factor is 70%;

The Base Year Index is July 2009, which equals 210.036;

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

The following CPI-U Index examples:

<b>CPI-U Inflation Indices</b>			
	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Avg CPI-U Index, for six months ending July</b>	<b>210.036</b>	<b>218.437</b>	<b>221.325</b>

This results in the ECA calculated values depicted in the table below and described in the following text.

	<b>Stub Period</b>	<b>Contract Year 1</b>	<b>Contract Year 2</b>	<b>Contract Year 3</b>
Effective Rate of Inflation	N/A	N/A	3.0%	1.322%
Inflation Sensitivity Factor	N/A	N/A	70%	70%
Inflation Factor	N/A	N/A	1.03	1.04361

The ECA calculations for the Stub Period and Contract Year 1 are not applicable (the calculation does not commence until July, 2010). For Contract Year 1, the invoice amounts shall not be adjusted for Economic Change Adjustment.

In the example above, all invoice amounts for the Inflation Sensitive Charges for Contract Year 3 shall be multiplied by 1.04361. The difference between the Inflation Sensitive Charges (\$500,000) and the calculated amount ( $\$500,000 * 1.04361 = \$521,805$ ) is \$21,805, which is multiplied by the Inflation Sensitivity Factor of 70% for an ECA Adjustment of \$15,263.

For purposes of the ECA calculation, the Inflation Adjustment Cap is 3%.

Beginning with the start of Contract Year 2, New Services that result in a new Resource Unit Category with Base Charges, ARCs/RRCs, and a Resource Baseline, no ECA shall apply to those charges for the remainder of the Contract Year the New Service commenced.

Beginning in the Contract Year following the Year in which the Amendment is executed, DIR and Service Provider shall calculate an alternate ECA that shall apply only to the charges specified under the Amendment and shall be exclusive of any other ECA.

The alternate, Amendment-specific ECA shall be calculated in the same manner as above except that an alternate, amendment-specific baseline index shall be used. The alternate, amendment-specific baseline index for the purposes of calculating the alternate, amendment-specific ECA shall be the average of the monthly CPI-U for the six months ending in the month in which the Amendment is executed (the “**Amendment Base Year Index**”).

DIR and the Service Provider shall update the Amendment-specific ECA annually in the same manner as described above except that the Amendment Base Year Index shall continue to apply.

DIR and the Service Provider shall follow the same Amendment-specific ECA calculation process as described above for any subsequent Amendments that incorporate new Resource Units, Base/Variable Charges, or Fixed Charges to the Contract.

## **15. Chargeback**

The MSI is responsible for developing, managing, and maintaining the Chargeback System as well as developing and coordinating the associated processes for all other DCS Service Providers. The Service Component Providers are responsible for data collection, data integrity, and providing data feeds to the MSI for Chargeback information. The MSI will manage the Chargeback unit rate development process in coordination with DIR. DIR will provide the methodology but the MSI will develop the calculations and maintain the process, which will include the allocation of some or all of a DCS Service Provider’s Charges into another Service Component Provider’s Resource Unit for Chargeback purposes.

The MSI will be the financial intermediary between the Service Component Providers and DIR. In this role, the MSI will provide all of the Services in **Exhibit 2.1** Section A.2.5, to include provision and management of the Chargeback and Utilization Tracking System, Chargeback and utilization reporting, Chargeback invoice consolidation, and management of the invoice dispute process. A component of the Chargeback invoice consolidation responsibility is the reconciliation of the cumulative total of all Service Providers’ Monthly Invoices with the cumulative total of the DIR Customers’ Chargeback invoices. The MSI will provide DIR with the supporting detail necessary to facilitate DIR’s payment of the Monthly Invoice to each Service Provider.

For all Charges that are billable on a Resource Unit basis, HSC/SSC, Transition and Transformation Charges, Pass-through Expenses, New Services, and all other services for which Service Component Provider is authorized to charge separately

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by DIR, Service Component Provider will provide data to the MSI to support the Charges by DIR Customer and DIR Customer account identifier that conforms with the requirements of **Section 12.1** of the Agreement. DIR will provide the MSI with the blended unit rate chargeback methodology and the MSI will make available to DIR and DIR Customers through the Portal the monthly chargeback volumes, rates, and extended charge per Resource Unit per DIR Customer and DIR Customer account identifiers. Except for the ASU allowance and the HSC/SSC, it is anticipated the DIR chargeback methodology will include the use of applying the chargeback unit rate (Base Charge plus or minus variable ARC/RRC charges divided by total volume consumed) to the DIR Customer volume plus the allocation of other charges including Transition and Transformation Charges on a weighted average basis. Service Provider will use the DIR approved methodology to allocate Service Component Provider and Service Provider service level credits to DIR Customers on a quarterly basis based on the nature of the credit and the impacted DIR Customers. Service level credits are only allocated to DIR Customers once the right of Earnback has been lost or has expired. The MSI will implement chargeback in a phased approach. Chargeback detail for each DIR Customer should be made available in the chargeback system and on the Portal in a format that aligns with the form(s) of invoice described in **Attachment 4-F**.

At a minimum, DIR requires DCS Service Providers to provide detailed billing data by DIR Customer, DIR Customer account identifier, by project, by Resource Unit, and by such factors as requested by DIR, including the ability to track usage by major Application and Authorized User. Service Component Provider will be required to provide HSC and SSC chargeback information mapped to server instances for chargeback purposes. DIR will be responsible for providing DCS Service Providers with the factors to track, as well as the methodology to be used to indicate usage among such factors. The MSI will provide detailed billing information available online in a database that lends itself to searching, ad hoc reporting, and the ability to export data. This detailed billing information should include the current Contract Year and the previous two Contract Years' data. Billing detail beyond this time period should be archived and available upon request.

Service Provider will develop and implement changes to comply with OMB Circular A-87 based upon chargeback requirements provided by DIR. The chargeback unit rate methodologies may be adjusted as necessary to meet federal approval or to better facilitate effective and efficient charging of the Services to DIR and DIR Customers. It is anticipated the chargeback methodologies generally fall into three categories.

For most billable Resource Units, the chargeback methodology will distribute charges to the benefiting programs based upon proportionate usage. This approach requires that appropriate utilization data be captured for each of these resource units and used to distribute charges to the benefiting programs identified by each DIR Customer.

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For certain billable Charges, such as Transition and Transformation Charges, it may not be possible to determine utilization attributable to specific DIR Customers. In this case, the charges associated with each milestone are to be amortized and then distributed to the DIR Customers in the following manner, as directed by DIR. Charges directly attributable to a DIR Customer should be allocated to that DIR Customer. Charges that are not attributable to a specific DIR Customer should be allocated using cost data from the prior month. Mainframe related charges should be allocated based on each DIR Customer's Mainframe related costs as a proportion of total Mainframe related costs. Similarly, Server related charges should be allocated based on each DIR Customer's Server related costs as a proportion of total Server related costs. Finally, charges which cannot be attributable solely to a DIR Customer or as a Mainframe or Server related cost should be allocated based on each DIR Customer's total costs as a proportion of the total costs for all DIR Customers. The MSI will allocate the chargeback for the ASU Charges as instructed by DIR.

Service Provider will provide detailed billing data by DIR Customer for the co-location services monthly recurring charges, one-time charges for co-location transition services, one-time charges for migration services, and any allocation of build-out charges.

DIR may provide the MSI with miscellaneous chargeable items to include in the DIR Customer Chargeback invoices. These charges are internal to the State and exclusive of Service Provider Charges. In this event, DIR will provide the MSI with the specific allocation methodology to distribute these charges to the appropriate DIR Customers.

## **16. Financial Planning and Forecasting**

Service Provider shall provide DIR with a rolling quarterly forecast of Charges and Resource Unit usage trends by Resource Unit for the next four (4) quarters (aligned with the State's fiscal year). The Charges forecast should be inclusive of Transition and Transformation Charges, HSC and SSC, Projects, New Services, and Co-location Services. The forecast should include all known and expected changes captured as part of the Technology Plan and capacity planning and the data captured from project activities and requests. Such forecasts shall be delivered by Service Provider to DIR at least thirty (30) days prior to the end of each calendar quarter through the Portal, beginning in calendar quarter 4 of 2012.

Service Provider shall provide DIR with a historical view of actual billed Resource Unit volumes per month as set forth in a standard report delivered through the Portal - the form and substance of which shall be approved by DIR within sixty (60) days after the Effective Date. This report shall provide a thirteen (13) month rolling view of billed Resource Unit volumes for the thirteen (13) months immediately prior to the month in which such report is provided. This report shall be available two months following the Commencement Date and include historical data starting with the first month of Service.

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**17. Pass-Through Expenses**

Service Provider shall administer and invoice DIR for Pass-Through Expenses in accordance with **Section 11.2** of the Agreement and pursuant to the applicable procedures in the Service Management Manual. No new Pass-Through Expenses may be added without DIR's prior written consent, which it may withhold in its sole discretion. The foregoing notwithstanding, Service Provider shall comply with the terms and conditions of **Section 11.2** of the Agreement with respect to the procurement and pricing of any goods or services which are designated for procurement on a Pass-Through Expense basis. The administration/processing of Pass-Through Expenses by Service Provider will be charged to DIR Customers as a 0% markup of the Pass-Through invoice amount.

**18. Managed Third Parties**

The Parties' respective financial responsibilities for the Third Party Contracts of Managed Third Parties are provided in **Section 6.6** of the Agreement. In accordance with the foregoing, unless otherwise specified in **Exhibit 22** or agreed in writing by the Parties, Service Provider shall be responsible for the payment of all costs and charges associated with the provision of In-Scope services by Managed Third Parties. In the case of Managed Third Parties for which the charges are not included in the Charges (as provided in **Exhibit 22**), the invoices of such Managed Third Parties shall be treated as Pass-Through Expenses in accordance with Section 17.

**19. Resource Unit Categories****19.1 MSI Services**

MSI Services are comprised of eight (8) distinct Resource Unit Categories. Each of these Resource Unit Categories has a separate Annual Base Charge and Monthly Resource Baseline. These Annual Base Charges are set forth in **Attachment 4-A** and these Monthly Resource Baselines are set forth in **Attachment 4-D** and reflect the resources required to provide the MSI Services. Such Annual Base Charges, as adjusted by any ARCs and RRCs, for the Resource Unit Categories for MSI Services will fully compensate Service Provider for the performance of the MSI Services.

The MSI Services Resource Unit Categories represent select Resource Unit Categories from the agreements from the other DCS Service Providers. The Resource Unit Category description and Resource Baseline volume is identical to the Service Component **Exhibit 4** RUs. On a monthly basis post-Commencement, the MSI will use the volumes provided by MSI as the billable volume.

**(a) CPU Hours**

“CPU Hours” shall be a Resource Unit Category.

Resource usage shall be measured as the aggregate number of IBM Application CPU hours (normalized to and quoted in terms of equivalent 2064-1C1 hours) utilized during the measurement period.

CPU Hours consists of the following:

- Application time;
- Authorized User usage;
- All time associated with data base management system and transaction system address spaces (for example, DB2, CICS, IMS, TSO);
- Authorized User usage of SAS, FOCUS, and other similar Software products; and
- Application driven backup time; and
- Application development and maintenance time for DIR or a third party hired by DIR.

Billable Resource Units for CPU - IBM 2064-1C1 equivalent application hours will not include Resource Units which are attributable to Systems Overhead or system level work, including CPU outage or unavailability; CPU wait time; CPU un-captured time; Service Provider system operations support and administrative personnel usage (including usage for invoice functions and capacity planning studies) and other Service Provider initiated activities; Service Provider caused lost batch time, usage due to a runaway process that does not result in incremental cost to Service Provider, or other usage attributable to reruns which are due to the fault of Service Provider; and the following system services where controlled by Service Provider, including different products (or with different names) providing equivalent function:

- Basic operating system components (e.g., JES2, LLA, VLF, GRS, MSTJCL, IEESYSAS, TRACE, RASP, XCFAS, DUMPSRV, CONSOLE, ALLOCAS, CATALOG, MOUNT, IOSAS, PCAUTH);
- Service Provider system performance monitor, capacity management, and invoice data collection tools (e.g., MICS, SMF, RMF, OMEGAMON, SLR, DCOLLECT, EREP);
- Service Provider system operation and support tools (e.g., SMP/E, JOB SCHEDULER, RERUN MANAGER, CONSOLE MANAGEMENT, SAR, RMDS, GDIF);

- Mainframe based network operations, support, access methods, and standard system print drivers (e.g., VTAM, TCP/IP, TCAM, BTAM, NETVIEW, NPM, JES328X, VPS, NETMASTER);
- Service Provider system-managed storage tools (e.g., DFSMS, ICKDSF, TAPE MANAGER); and
- Service Provider Problem Management and Change Management Software.

Mainframe CPU utilization will be measured over applicable usage periods and will include only the TCB and SRB components of Mainframe CPU time logged via System Management Facilities (“SMF”) Type 30 records for MVS systems, Power/VSE facilities for VM systems, or other applicable substitutes at the end of the month.

One (1) Application CPU hour equals one (1) RU. Resource usage for Mainframe CPU will be rounded to the nearest whole hour for measurement, tracking and reporting purposes. For invoice purposes, the CPU hour should be rounded to the nearest minute. A more finite measurement may be used if agreed to in writing by DIR and Service Provider.

(b) **Print Images**

“Print Images” shall be a Resource Unit Category. One (1) Resource Unit for this Resource Unit Category shall equal the aggregate number of print images where print software captures volumes in images, measured in thousands of pages, produced by Service Provider for DIR Customers for the month. Quantities other than one thousand (1,000) pages will be reflected and billed at a fractional amount (i.e. 639 pages would equal 0.639 Resource Units). If a printer is not able to capture images then physical print pages should be counted. In the case where images are not available, a “Print Image” shall mean one (1) 8.5-inch by 11-inch sheet of single-sided printed output, initiated by DIR Customers, for which printing is managed by Service Provider during the calendar month of measurement. For clarity, any 8.5-inch by 11-inch output printed front and back shall be deemed two (2) Print Images. Output printed single sided in “two up” format on a 17-inch by 11-inch sheet of paper, divided to allow for two (2) 8.5-inch by 11-inch sheets of paper, each of which otherwise satisfies the definition of “Print Image”, shall constitute two (2) Print Images. Any 8.5 inch by 11-inch output printed front and back shall be deemed two (2) Print Images. For clarity, output printed front and back in “two up” format on a 17-inch by 11-inch sheet of paper, divided to allow for two (2) 8.5-inch by 11-inch sheets of paper, each of which otherwise satisfies the definition of “Print Image”, shall constitute four (4) Print Images.

Print will not include the following print resource usage: System management reports or printed output associated with Service Provider error.

Print utilization will be measured using the printer meter counts or other mutually agreeable substitute.

There shall be one Resource Unit Category that includes volumes for two types of print output:

- (i) Standard – A white page with black text printed on blank paper
- (ii) Custom – A Print Image printed on preprinted form paper as required and provided by DIR Customer

For clarity, the single Print Image resource unit and pricing includes both Standard print and Custom print; however, Custom print paper is provided by DIR Customer.

(c) **Server Instances – Service Tier Matrix**

The Service Tier Matrix Server Support RUs are classified by operating system type, by site type, and further classified by Gold, Silver, or Bronze support levels as determined using the Service Tier methodology described in **Attachment 4-E** (Server Service Tier Matrix). Instances shall remain in such classification for at least ninety (90) days. Resource Unit usage for Service Tier Matrix Server Services will be measured on a per Instance basis. Depending on the Server's configuration, one (1) or more Operating System Instances may run on a single Server. Operating System Instances in a clustered configuration shall be deemed to be discrete Operating System Instances, though each Instance within a cluster shall accommodate a different support level categorization, depending on DIR Customer requirements. Instances are counted on the last day of the calendar month and counts are adjusted to include any Instance in service for at least one (1) day of the calendar month. One (1) Instance in service for at least one (1) day of a calendar month equals one RU. A new Instance is considered operational when available for use by Authorized Users.

(d) **DIR Customer Support**

“DIR Customer Support” shall be charged as a monthly fixed price. The fixed charge accounts for activities and related costs required to provide account management support all DIR Customers, recognizing that the cost to support individual DIR Customers varies based on a number of factors including the size of the DIR Customer. The fixed price will only be adjusted in the event that (a) a new DIR Customer begins to receive Services or (b) an existing DIR Customer ceases to receive Services, and (c) the DIR Customer requires the following components of support:

1. A separate Chargeback invoice
2. Reporting specific to that DIR Customer
3. An assigned agency account manager

For example, the following events would be subject to a monthly variable charge:

- a. An existing DIR Customer has a divestiture and the newly formed entity becomes a DIR Customer requiring a separate Chargeback invoice, reporting, and an assigned agency account manager would create an ARC
- b. An existing DIR Customer merges with another existing DIR Customer, eliminating the need for a separate Chargeback invoice, reporting, and an assigned agency account manager would create a RRC
- c. An agency not receiving Services at Commencement Date becomes a DIR Customer receiving Server Services including server and storage support and HSC and SSC Charges would create an ARC

However, as examples, the following scenarios would not qualify as events creating a monthly variable charge:

- a. An agency not receiving Services at Commencement Date merges with an existing DIR Customer and does not require a separate Chargeback invoice, reporting, and assigned account manager
- b. An existing DIR Customer has a divestiture and the newly formed entity no longer receives Services and is not a DIR Customer
- c. An agency not receiving Services at Commencement Date becomes a DIR Customer receiving only Co-location Server Services
- d. An existing DIR Customer is abolished and recreated as a successor agency, remaining a DIR Customer and requiring a name change under the DCS Agreement

The monthly variable charge that accounts for this change in the DIR Customer Support fixed charge is included in **Attachment 4-A** in the ARC/RRC rate schedule.

(e) **Chargeback Users**

“Chargeback Users” shall be a Resource Unit Category. One (1) Resource Unit for this Resource Unit Category shall equal a named DIR Customer user accessing the MSI-provided Chargeback System.

(f) **Remedy Licenses**

“Remedy Licenses” shall be a Resource Unit Category. One (1) Resource Unit for this Resource Unit Category shall equal the Remedy Incident Management User Floating licenses as measured by the high-point of concurrent usage of Service Provider resources writing to the MSI provided Remedy system.

(g) **SCP Service Level Measures**

“SCP Service Level Measures” shall be a Resource Unit Category. One (1) Resource Unit for this Resource Unit Category shall equal a Critical Service Level or Key Measurement in place for the Service Component Providers. The total Resource Unit volume shall equal the aggregate number of all Critical Service Levels and Key Measurements that are monitored and reported for all Service Component Providers. Each Type S Service Level, Type R Service Level, and Type U Service Level is counted once for each Service Component in which it applies. For example, if a Type R Service Level applies to both the Server Service Component and the Network Service Component, it is counted twice. The MSI Critical Service Levels and Key Measurements are excluded from this Resource Unit Category.

(h) **Program Support**

“Program Support” shall be charged as a monthly fixed price. The fixed charge accounts for all activities and related costs required to provide program support services, including support of the DIR Customer project lifecycle, from initial request to final implementation by the Service Component Provider. The fixed price will only be adjusted in the event that DIR Customers procure additional Server Project Pool hours in excess of the defined pool in accordance with the terms and conditions defined in the SCP **Exhibit 4**.

The monthly variable charge that accounts for this change in the Program Support fixed charge is included in **Attachment 4-A** in the ARC/RRC rate schedule. The variable rate is an hourly rate reflecting the average of the MSI program support resources. The monthly variable charge will be calculated using the ARC/RRC hourly rate multiplied by 0.07 of the number of SCP Project Pool hours procured that month in excess of the defined Project Pool. The monthly variable charge will equal:

Monthly Program Support Variable Charge = A x B x C, where:

A = Number of SCP Project Pool hours procured that month in excess of the defined Project Pool

B = 0.07

C = Program Support ARC/RRC hourly rate

The fractional adjustment to the SCP Project Pool hours reflects the ratio of MSI program support hours to the SCP project pool and is not subject to change.

In the event the SCP Project Pool baseline hours are increased or decreased, an adjustment shall be made to the Program Support monthly fixed price to reflect the impact of the change in baseline project pool hours. The Monthly Base Charge for Program Support will be increased or decreased (as applicable), on a prospective basis for each Contract Year, by an amount equal to the product of (i) the total hourly adjustment to the SCP Project Pool on a monthly basis multiplied by 0.07 multiplied by (ii) the applicable ARC/RRC hourly rate; provided that no adjustment shall be made unless such increase or decrease is greater than twenty percent of the SCP Project Pool.