

SCHEDULE 10.1
TO THE
COMPREHENSIVE INFRASTRUCTURE AGREEMENT
FEES SCHEDULE

Schedule 10.1

Fee Schedule

This is Schedule 10.1 to the Comprehensive Infrastructure Agreement between the Commonwealth and Vendor (the “Agreement”). Unless otherwise expressly defined herein, the capitalized terms used herein shall have the meaning assigned to them in the Agreement.

In addition to the provisions set forth below, this Schedule 10.1 includes the following attachments, which are incorporated herein by reference:

List of Attachments

<u>Attachment</u>	<u>Title</u>
10.1.1	Estimated Retained Costs
10.1.2	Transition Phase Fees and Corresponding Milestones and Expected Completion Dates
10.1.3	Definition of Resource Units for Contract Years One, Two, Three and Contract Year Four Truncated
10.1.3-A	Definition of Resource Units for Contract Year Four Stub and All Subsequent Contract Years
10.1.4	Initial Baselines for Contract Years One, Two, Three and Contract Year Four Truncated
10.1.4-A	Adjusted Baselines for Contract Year Four Stub and All Subsequent Contract Years
10.1.4-B	Additional Resource Unit Baselines for Contract Year Four Stub and All Subsequent Contract Years
10.1.5	Post-Transition Phase Fees - Fixed Recurring Fees and Resource Unit Rates by Service Tower for Contract Years One, Two, Three and Contract Year Four Truncated
10.1.5-A	Post-Transition Phase Fees - Fixed Recurring Fees and Resource Unit Rates by Service Tower for Contract Year Four Stub and All Subsequent Contract Years
10.1.6	Facilities Fees - One-Time and Fixed Recurring
10.1.7	Post-Transition Phase Fees – Additional Resource Charge (ARC) Rates by Service Tower
10.1.8	Post-Transition Phase Fees – Reduced Resource Credit (RRC) Rates by Service Tower
10.1.9	Hourly Rates
10.1.10	Exit Fees
10.1.11	Resolution Fees
10.1.12	Disentanglement Fees
10.1.13	Pricing Assumptions
10.1.14	Relocation and Upgrade Matrix

1.0 Introduction

This Schedule 10.1 provides the basis for determining the Fees applicable to the Services being provided by Vendor to VITA and the other Eligible Customers pursuant to the Agreement. This Schedule describes the processes and methodologies as to how these Fees shall be calculated and how any adjustments to these Fees shall be made. This Schedule 10.1 also includes the Exit Fees and Resolution Fees that are applicable to this Agreement. All Fees, Exit Fees and Resolution Fees shall be applicable to Vendor as set forth herein.

The Fees for Out-of-Scope Work Requests will be as set forth in Section 6.5 of the Agreement. Material changes to the Agreement must be approved in writing by the Parties and will be subject to Fees as agreed to by the Parties.

Sections 3.0, 4.0 and 5.0 describe all Fees that shall be payable hereunder in consideration of the Services provided by the Vendor under this Agreement. Vendor's pricing assumptions, related to the Fees, are documented in Attachment 10.1.13 hereto (Pricing Assumptions).

2.0 Overall Fee Limitation

2.1 Contract Years One, Two and Three

For Contract Year One, in no event may the total of the following items exceed two hundred thirty million four hundred seventy three thousand eight hundred and seventy four dollars (\$230,473,874), for Contract Year Two, in no event may the total of the following items exceed two hundred thirty million five hundred twenty six thousand one hundred and twenty six dollars (\$230,526,126), and for Contract Year Three, in no event may the total of the following items exceed two hundred thirty three million seven hundred sixty nine thousand and forty nine dollars (\$233,769,049): (a) the Retained Costs of the Commonwealth; (b) the costs of the Managed Employees; and (c) all Fees identified in Schedule 10.1 invoiced by Vendor to and payable by the Commonwealth under the Agreement. Each of the amounts specified in the preceding sentence constitutes the "Overall Fee Limitation" for the applicable Contract Year. The calculation of the cost of the Managed Employees, which will vary in actual amount from month to month, is described in Section 7.0 below. The calculation of the actual Retained Costs of the Commonwealth will vary in actual amount from month to month. For illustration purposes only, Attachment 10.1.1 hereto (Estimated Retained Costs) sets forth an estimate of the Retained Costs of the Commonwealth by Contract Year. If the total of the items described in (a), (b) and (c) above exceeds the applicable Overall Fee Limitation, then Vendor shall accept reduced payment for its final invoice for Fees hereunder so that the total of the items described in (a), (b) and (c) no longer exceeds the applicable Overall Fee Limitation, and, notwithstanding any other provision of this Schedule, the Commonwealth shall have no obligation to pay the amount by which the Fees were in excess. The Parties shall review Vendor's Fees on a quarterly basis to compare how such Fees currently measure and are projected to measure against the above-described Overall Fee Limitation and ensure that such amount is not exceeded on an annual basis.

2.2 Contract Year Four and Subsequent Contract Years

For Contract Year Four the Overall Fee Limitation is equal to two hundred thirty six million dollars (\$236,000,000) and for Contract Year Five and each subsequent Contract Year the Overall Fee Limitation is equal to two hundred thirty-four million two hundred thousand dollars (\$234,200,000). For Contract Year Four and each subsequent Contract Year, each Overall Fee Limitation is comprised of the following items for the applicable Contract Year: (a) Retained Costs; (b) the Resource Unit Fees for the volumes described in Attachment 10.1.4-A; (c) the monthly fixed recurring Fees described in Attachment 10.1.6; and (d) the fixed recurring Fees for the Annual Services Fee (as defined in Section 5.2.1 below) and Management Fees (as defined in Section 5.2.2 below) identified in Attachment 10.1.5-A. For Contract Year Four and each subsequent Contract Year, in no event may the total of the items described in (a), (b), (c), and (d) above exceed the applicable Overall Fee Limitation. If the total of the items described in (a), (b), (c), and (d) above exceeds the applicable Overall Fee Limitation, then Vendor shall accept reduced payment for its final invoice for Fees hereunder for such items so that the total of the

Fees for the items described in (a), (b), (c), and (d) no longer exceeds the applicable Overall Fee Limitation, and, notwithstanding any other provision of this Schedule, the Commonwealth shall have no obligation to pay the amount by which the Fees were in excess.

During Contract Years Four and Five, the Commonwealth intends to reduce its storage Resource Unit consumption to better align with the Commonwealth's annual budget constraints and Vendor will assist the Commonwealth in its reduction efforts whenever possible; however, the minimum monthly quantity for "Tier 1" type storage invoiced to the Commonwealth during Contract Years Four and Five shall be sixty thousand (60,000) gigabytes. At the conclusion of Contract Year Five, Vendor will memorialize the results of the Commonwealth's storage consumption reduction efforts for each individual storage Resource Unit as follows:

(1) where the actual consumption reported in Vendor's Usage/Change Report for May 2011 for each individual storage Resource Unit (variable "x") is less than the sum of both baseline values for such individual storage Resource Unit listed in Attachments 10.1.4-A and 10.1.4-B (variable "y"), Vendor will automatically, on July 1, 2011, decrease the corresponding baseline quantity values in Attachment 10.1.4-A for each individual storage Resource Unit by the difference between "y" and "x;" and Vendor will automatically increase the Fixed Price Adjustment value in Attachment 10.1.5 so that the sum of items (a), (b), (c), and (d) specified above in Section 2.2 equal the Overall Fee Limitation; or

(2) where "x" is greater than "y," Vendor will, on July 1, 2011, automatically increase the corresponding baseline quantity values in Attachment 10.1.4-B for each individual storage Resource Unit by the difference between "x" and "y."

2.3 Retained Costs

For Contract Year Four and all subsequent Contract Years, the term "Retained Costs" means those actual costs incurred by the Commonwealth for Microsoft educational licenses, voice network charges, and data network charges identified in Attachment 10.1.4-A under the heading "Included in VITA Retained." In any given Contract Year, the Retained Costs of the Commonwealth for the purposes of calculating the Overall Fee Limitation will not exceed thirty-five million, four hundred thousand dollars ("the Retained Cost Limitation").

The Parties acknowledge that the Retained Costs are likely to vary based on the implementation of VoIP services, the schedule for which is represented in the baseline adjustments reflected in Attachment 10.1.4-A. Actual VoIP implementation schedule changes will result in adjustments to the applicable Retained Cost Limitation if memorialized in accordance with Section 27.5 of the Agreement. For purposes of calculating the Overall Fee Limitation, increases in VoIP Fees resulting from said implementations will be offset by an equal corresponding decrease in the applicable Retained Cost Limitation.

The Commonwealth shall notify Vendor in writing at least ninety days in advance of terminating a Retained Contract that Vendor is utilizing to provide Services to Eligible Customers. The Commonwealth and Vendor must amend the Agreement in accordance with Section 27.5 in the event the Parties agree that a Service being provided through a Retained Contract will be

provided by Vendor; and such amendment must document the reductions to the Retained Cost Limitation and the corresponding change to the application of the Overall Fee Limitation, which corresponding change, unless otherwise agreed in accordance with Section 27.5, shall be reflected as an increase in the prices listed in Attachment 10.1.5 equal to the absolute value of the reduction to the current and future Retained Cost Limitations.

The Parties shall separately monitor Retained Cost reductions directly caused by Eligible Customer implementation of Vendor's VoIP solution. Any savings that the Parties mutually agree are realized by the reduction of voice network charges in the Retained Costs will be shared according to the following schedule: (a) For the first year following any VoIP implementation, the Commonwealth shall realize 60% of such savings and Vendor shall realize 40% of any such savings; (b) for the second year following any VoIP implementation, the Commonwealth shall realize 70% of such savings and Vendor shall realize 30% of such savings; (c) for the third year following any VoIP implementation, the Commonwealth shall realize 90% of such savings and Vendor shall realize 10% of such savings; and (d) for the fourth year following any VoIP implementation and thereafter, the Commonwealth shall realize 100% of such savings. In all cases, in order to receive any savings, the Commonwealth must accept and cooperate with Vendor's designated VoIP implementation schedule. As used in this paragraph, the term "savings" refers to the reduction of the total number of legacy phones (as defined below) and their related costs.

Notwithstanding the Retained Cost Limitation, if the Commonwealth's consumption of the goods or services comprising the Retained Costs results in a increase of fifteen percent (15%) or more in the number of legacy phones or legacy circuits, Vendor will implement a legacy Resource Unit to cover additional costs not reflected in the Fees. As used in this Agreement, the reference to number of "legacy phones" refers to the quantities of lines identified in Attachment 10.1.4-A under the heading "Included in VITA Retained" and the reference to the number of "legacy circuits" refers to the quantity of circuits identified in VITA's Telco bills for services provided during March 2010 pursuant to applicable Retained Contracts.

2.4 Managed Expenses

Vendor will provide a monthly credit to the Commonwealth for Managed Expenses. The term "Managed Expenses" means the costs incurred by the Commonwealth for Managed Employees as described in Section 7 below and the actual costs incurred by the Commonwealth for the specific Oracle products called Database Enterprise Edition, Diagnostics Pack, Tuning Pack, Real Application Clusters, and other products or services as mutually agreed to by the Parties in accordance with Section 27.5 of the Agreement. With respect to such products or services, the Parties must agree in advance and in accordance with Section 27.5 of the Agreement to all changes that impact the cost, such as additional licenses, renewals, or upgrades, and whether such cost will be the Commonwealth's responsibility or treated as a Managed Expense. The Managed Expenses will not be included in the calculation of the Overall Fee Limitation.

3.0 Fees for Current Operations Phase

The Fees payable to Vendor during the Current Operations Phase for assuming operational responsibility for current operations after Service Commencement Date shall be equal to (a) the

reasonable, actually incurred, and documented out-of-pocket Vendor costs (including both direct and indirect expenses as defined by GAAP and in accordance with Vendor’s established accounting practices) for performing current operations (collectively, the “**Current Operations Phase Costs**”), plus (b) an administrative fee equal to seven percent (7%) of the Current Operations Phase Costs. The Parties agree that the indirect rates applicable to Vendor’s lead business unit Commercial, State & Local Solutions, or its successor, for Contract Years one and two shall be 45% of direct labor (i.e., that portion of salary charged directly to the Services) for employee fringe benefits and 7% of total cost inputs for general and administrative. These Fees will be invoiced to the Commonwealth in accordance with the Agreement in the month following the month in which Vendor actually incurred the Current Operations Phase Costs. Vendor may not invoice the Commonwealth for any Current Operations Phase Costs for which Vendor does not produce sufficient supporting documentation in accordance with Section 10.3 of the Agreement, including a general ledger summary (or equivalent report) of the Current Operation Phase Costs for the relevant month, documenting such Current Operation Phase Costs by Tower and element of cost. These Fees shall commence upon the Service Commencement Date and shall cease upon the conclusion of Contract Year Two (the “**Current Operations Phase**”).

4.0 Fees for Transition Phase

The Fees payable to the Vendor during the Transition Phase for the Transition Services shall be equal to the amounts set forth in Attachment 10.1.2 (Transition Phase Fees and Corresponding Milestones and Expected Completion Dates) and are contingent upon the successful completion by Vendor and acceptance by the Commonwealth of the Milestone that corresponds with each such amount. The Milestones and expected completion dates that correspond to each component of these Fees are also listed in Attachment 10.1.2 (Transition Phase Fees and Corresponding Milestones and Expected Completion Dates). These Fees will be invoiced to the Commonwealth in accordance with the Agreement following successful completion by Vendor and acceptance by the Commonwealth of the corresponding Milestone(s). The “**Transition Phase**” shall commence upon Service Commencement Date and end upon the successful completion of the last Milestone. Following determination of the actual Service Commencement Date, the Parties shall adjust the Milestone payments in Attachment 10.1.2 (Transition Phase Fees and Corresponding Milestones and Expected Completion Dates), maintaining the total cost of Transition Services while complying with the Commonwealth’s annual budget constraints.

Fees for Microsoft Licenses provided hereunder will be billed by Vendor on a monthly basis. The billing schedule is as follows:

<u>DATE</u>	<u>Invoice Amount</u>	<u>Balance</u>
		\$12,054,814.62
July 2007	\$4,000,000.00	\$8,054,814.62
September	\$1,000,000.00	\$7,054,814.62
October 2007	\$1,000,000.00	\$6,054,814.62
November 2007	\$1,000,000.00	\$5,054,814.62
December 2008	\$1,000,000.00	\$4,054,814.62
February 2008	\$1,500,000.00	\$2,554,814.62
April 2008	\$1,500,000.00	\$1,054,814.62
June 2008	\$1,054,814.62	\$0

5.0 Fees for Post-Transition Phase

The Fees payable to the Vendor during the Post-Transition Phase for the Services are detailed below. These Fees shall commence upon the beginning of Contract Year Three and continue thereafter throughout the Term (the “**Post-Transition Phase**”). For purposes of this Schedule, the term Contract Year Four Truncated shall mean the time period from July 1, 2009 through February 28, 2010 and the term Contract Year Four Stub shall mean the time period from March 1, 2010 through June 30, 2010.

5.1 Definitions of Resource Units; Baseline; Measurement Methodology

5.1.1 Definition of Resource Units

The Resource Units for each Service Tower are described in Attachment 10.1.3 (Definition of Resource Units) and Attachment 10.1.3-A (Definition of Resource Units) as applicable. The volume Baselines for each Resource Unit are represented as follows: Attachment 10.1.4 (Initial Baseline); Attachment 10.1.4-A (Volume of Resource Units within the Overall Fee Limitation); and Attachment 10.1.4-B (Volume of Resource Units outside the Overall Fee Limitation).

5.1.2 Resource Unit Measurement

Vendor will measure, track and retain measurement data in a repository, and validate and report on the Commonwealth’s usage of Resource Units, utilizing the processes and procedures in the Procedures Manual. Vendor’s Resource Unit measurement processes and procedures, as may be updated from time to time, are subject to the Commonwealth’s express written approval; which approval will not be unreasonably withheld, conditioned or delayed and will be deemed given ten (10) business days after Vendor submits a written request seeking the Commonwealth’s approval. Vendor shall provide the Commonwealth with ongoing reporting of actual Resource Unit usage for each Resource Unit for each month.

5.1.3 Resource Unit Measurement Validation

The Commonwealth will have the right to audit these measurement processes and procedures and the data produced in accordance with Section 18 of the Agreement. The Commonwealth may require Vendor to utilize a designated measurement tool in the Resource Unit measurement process if audit results determine that the existing measurement tools are unacceptable to the Commonwealth in its reasonable estimation. Additionally, the Commonwealth and Vendor will conduct a periodic validation process (in any event, at least once each Contract Year after the initial validation) to ensure that the measurement tools and processes remain accurate and are producing valid data. In the event that Vendor changes either the measurement procedures or the process for collecting Resource Unit data, the documentation of such measurement procedures and processes in the Procedures Manual shall be updated to accurately reflect the current process. In addition to the foregoing, the Commonwealth will have the right to access any measurement tools and the data produced as may be necessary from time to time.

5.1.4 Baselines

The calculation of the fixed rate, volume-based Fees described in Section 5.3 below makes use of a Baseline quantity for each Resource Unit. A Baseline, unless otherwise noted, is expressed

as the projected average annual or monthly volume of Resource Unit usage for each Contract Year of the Term of the Agreement.

The following table provides an example of Baselines:

Table 1. Baseline Example Table

Data Center Tower Resource Unit Name	(Example) Contract Year 1 Quantity	(Example) Contract Year 2 Quantity	(Example) Contract Year 3 Quantity	(Example) Contract Year 4 Quantity	(Example) Contract Year 5 Quantity
Unix Servers (example)	100	105	95	110	115
Wintel Servers (example)	500	490	480	470	460

5.1.5 Initial Baselines

As of the Service Commencement Date, the Baselines for each Resource Unit of each Service Tower for each Contract Year of the Term of the Agreement (collectively, the “**Initial Baselines**”) were set forth in Attachment 10.1.4 (Initial Baselines) hereto.

5.1.6 Asset Inventory

Beginning as soon as practicable after the Effective Date but not later than twelve months following the Service Commencement Date, Vendor will conduct an asset discovery to validate asset counts relating to the Resource Units included in the Baselines. The inventory captured and documented will serve as a confirmation by both Parties of the actual existence of an asset and the confirmation by both Parties that it is designated as an asset as part of the Services.

In addition, Northrop Grumman and the Commonwealth agree that the Commonwealth’s additional asset inventory requirements, which are outlined below, for the asset discovery and inventory will be within the Overall Fee Limitation defined in Section 2.0 of Schedule 10.1. The additional items that Northrop Grumman shall use best efforts to inventory at no additional cost to the Commonwealth shall be limited to the following:

Additional Data Collection Items

- FAX SERVER
- THIN CLIENT
- PDA
- VIDEO CONFERENCE EQUIPMENT
- CONTROL UNIT
- DATA SERVICE UNIT (DSU)
- DIRECT ACCESS STORAGE (DASD)
- MULTIPLEXER
- JUKEBOX
- NETWORK ANALYZER
- SNIFFER
- ANALYZER - WAN/LAN
- NETWORK ATTACHED STORAGE (NAS)
- STORAGE AREA NETWORK (SAN)
- FIREWALL
- GATEWAY
- HUB

- ROUTER
- SWITCH
- WIRELESS ACCESS POINT
- COPIER NETWORK ATTACHED
- FAX MACHINE NETWORK ATTACHED
- PLOTTER
- MULTI-FUNCTION DEVICE NETWORK ATTACHED
- PRINTER

Additional Support Items to be provided during the project:

- Two Full-time Equivalents (FTEs) to support VITA billing reconciliation of agency asset inventories, when requested
- System modifications to support additional status categories
- Six FTE's to support on-going floor-to-book reconciliation

The Parties agree that any further increases requested by the Commonwealth to the scope of this effort, as outlined above, may result in additional cost and schedule impacts and will be mutually agreed upon, in writing, by both Parties prior to any implementation effort with respect to those requests.

5.1.7 Adjustment of Baselines

(i) The Parties have validated and adjusted the Initial Baselines using the results of the inventory described above (such adjusted Baselines, the “**Adjusted Baselines**”). The Adjusted Baseline for each Resource Unit is equal to (a) the Initial Baseline for such Resource Unit, plus or minus (b) any resulting variance between the volumes of that Resource Unit identified during the inventory described above and the Initial Baseline for such Resource Unit. The Adjusted Baselines are set forth in Attachment 10.1.4-A and Attachment 10.1.4-B.

(ii) If the Commonwealth's actual consumption of any individual Resource Unit changes by 20% from the applicable Adjusted Baseline for at least six consecutive months, the parties will discuss such changes and may mutually agree to implement adjustments to the Attachments to Schedule 10.1.

5.1.8 Adjustment of Fees

No adjustment to Resource Unit Fees shall be made without the mutual agreement of the Parties in accordance with Section 27.5 of the Agreement.

5.2 Fixed Recurring Fees

The fixed, flat recurring Fees payable to the Vendor during the Post-Transition Phase for the Services are described in this Section 5.2.

5.2.1 Annual Services Fee (ASF)

The “Annual Services Fee” or “ASF” is the amount specified for Account Management & Administration Services by Contract Year in Attachment 10.1.5 (Post-Transition Phase Fees - Fixed Recurring Fees and Resource Unit Rates) and Attachment 10.1.5-A (Post-Transition Phase Fees - Fixed Recurring Fees and Resource Unit Rates). Unless otherwise specified, the Annual Services Fee shall be invoiced in accordance with the Agreement for each month, using the monthly Fees provided in Attachment 10.1.5 (Post-Transition Phase Fees - Fixed Recurring Fees

and Resource Unit Rates) and Attachment 10.1.5-A (Post-Transition Phase Fees - Fixed Recurring Fees and Resource Unit Rates) hereto, during the applicable Contract Year.

5.2.2 Management Fees

The “Management Fees” is the fixed monthly fee specified for Management Services by Contract Year for each Service Tower in Attachment 10.1.5 (Post-Transition Phase Fees - Fixed Recurring Fees and Resource Unit Rates) and Attachment 10.1.5-A (Post-Transition Phase Fees - Fixed Recurring Fees and Resource Unit Rates) as applicable. If not clearly set forth in Attachment 10.1.5 (Post-Transition Phase Fees - Fixed Recurring Fees and Resource Unit Rates) or Attachment 10.1.5-A (Post-Transition Phase Fees - Fixed Recurring Fees and Resource Unit Rates), the Management Fee is zero for those Service Towers where an express Management Fee is not identified.

5.2.3 Facilities Fees

The “Facility Fees” consist of two components: (a) a one-time fee during Contract Year One for the Commonwealth Enterprise Solution Center and Southwest Enterprise Solution Center, which is the amount specified for One-Time Data Center Build Costs in Attachment 10.1.6 (Post-Transition Phase Fees - Fixed Recurring Fees and Resource Unit Rates); and (b) an annual fee for the ongoing provision of the facilities (data centers and VITA offices), which is the amount specified by Contract Year for Annual Recurring Data Center Build Costs in Attachment 10.1.6 (Post-Transition Phase Fees – One-Time and Fixed Recurring Facilities Fees). Unless otherwise specified, one-twelfth of the applicable one-time Facility Fee shall be invoiced in accordance with the Agreement for each month during Contract Year One, and the annual recurring Facility Fee shall be invoiced in accordance with the Agreement for each month, using the monthly Fees provided for in Attachment 10.1.6 (Post-Transition Phase Fees – One-Time and Fixed Recurring Facilities Fees) hereto, during the applicable Contract Year. Vendor shall commence invoicing the Commonwealth for the Facility Fees for the Commonwealth Enterprise Solution Center upon the Commonwealth’s receipt of a copy of the certificate of occupancy for the Commonwealth Enterprise Solution Center. Vendor shall commence invoicing the Commonwealth for the Facility Fees for the Southwest Enterprise Solution Center upon the Commonwealth’s receipt of a copy of the certificate of occupancy for the Southwest Enterprise Solution Center. In the event that a delay in the delivery of Critical Milestone 68 (RPB Migration Complete) causes the Commonwealth to incur rent costs for RPB beyond February 2008, Vendor will reimburse such costs up to one hundred and sixty-four thousand dollars per month (\$164,000/month).

5.2.4 Microsoft Fixed Fees

The “Microsoft Fixed Fees” are the fixed monthly fees specified by Contract Year in Attachment 10.1.5-A (Post-Transition Phase Fees –Fixed Recurring Fees and Resource Unit Rates) hereto for Microsoft licenses provided to the Commonwealth pursuant to Vendor’s Enterprise Agreement as of the execution date of Amendment No. 60, excluding licenses identified pursuant to the annual true-up described in Section 5.5.2 below.

5.2.5 Fixed Price Adjustment

The Fixed Price Adjustment is the monthly adjustment specified on Attachment 10.1.5-A (Post-Transition Phase Fees –Fixed Recurring Fees and Resource Unit Rates) hereto which shall be applied to Vendor’s Fees beginning with the invoice for Services provided in March 2010. If the

Commonwealth terminates the storage Services under Appendix 7 to Schedule 3.3, then the application of the Fixed Price Adjustment shall be discontinued.

5.3 Fixed Rate, Volume-Based Fees

The fixed rate, volume-based Fees payable to the Vendor during the Post-Transition Phase for the Services are equal to the Resource Unit Fees plus any applicable Additional Resource Charges for additional Resource Units consumed less any applicable Reduced Resource Credits for reductions in Resource Units consumed as described in this Section 5.3.

5.3.1 Resource Unit Fees

The Resource Unit Fees for recurring Services will be based upon a fixed Baseline Resource Unit rate multiplied by the Baseline (volume) for the Resource Unit to determine the Resource Unit Fees. The Resource Unit Fee for each Resource Unit shall be equal to (a) the Baseline (volume) for such Resource Unit, multiplied by (b) the Resource Unit Rate for such Resource Unit. For purposes of this calculation, “Baseline” shall refer to the Initial Baseline or the Adjusted Baseline for the Resource Unit as applicable. The Adjusted Baseline shall be calculated by adding the quantities specified on Attachment 10.1.4-A and Attachment 10.1.4-B for each Resource Unit. The Resource Unit Rates for each Service Tower are set forth in Attachment 10.1.5 (Post-Transition Phase Fees – Resource Unit Rates by Service Tower) and Attachment 10.1.5-A (Post-Transition Phase Fees - Fixed Recurring Fees and Resource Unit Rates) as applicable.

The following table provides an example of a Resource Unit Rate:

Table 2. Resource Unit Rate Example Table

Data Center Tower	(Example)	(Example)	(Example)	(Example)	(Example)
Resource Unit Item	Contract Year 1 Price	Contract Year 2 Price	Contract Year 3 Price	Contract Year 4 Price	Contract Year 5 Price
Unix Server (example)	\$1,100.00	\$1,075.00	\$1,050.00	\$1,025.00	\$1,000.00
Wintel Server (example)	\$1,050.00	\$1,010.00	\$990.00	\$950.00	\$925.00

5.3.2 Additional Resource Charges (ARCs)

Fees for additional resources are applicable whenever the actual resource utilization rises above the Baseline (volume). Fees for additional resources are equal to (a) Fees for additional resource units below the Additional Resource Charge (ARC) Deadband Threshold and (b) Fees for additional resource units above the ARC Deadband Threshold. Fees for additional resource units below the ARC Deadband Threshold are equal to (c) the additional resource units below the threshold (volume), multiplied by (d) the Resource Unit Rate for such Resource Unit. Fees for additional resource units above the ARC Deadband Threshold are equal to (e) the additional resource units above the threshold (volume), multiplied by (f) the Additional Resource Charge (ARC) rate applicable to the Resource Unit. The ARC rates for each Resource Unit for each Service Tower are set forth in Attachment 10.1.7 (Post-Transition Phase Fees – Additional Resource Charge (ARC) Rates by Service Tower). The ARC Deadband Threshold is equal to (g) the Baseline (volume) for the Resource Unit, multiplied by the sum of 1.00 plus (h) the ARC Deadband Baseline (expressed as a percentage) as set forth in the ARC Deadband Table in Section 5.3.3 below for each Service Tower.

Exceptions to Standard ARC Calculations:

(a) For purposes of performing the above calculations, all increases in the Commonwealth’s actual consumption of virtual servers directly caused by the transitioning of or replacement of physical servers with virtual servers shall not count toward determining when the Deadband Threshold is surpassed. All such increases in the Commonwealth’s actual consumption of virtual servers shall be charged at the Resource Unit Rate.

(b) If an Eligible Customer seeking to convert the majority of its standard desktop computers to standard laptops as part of a regularly scheduled refresh (i.e., not an early or unscheduled refresh) provides written notice to Vendor reasonably in advance of the scheduled refresh and returns all assets to be replaced to Vendor, Vendor will not treat the laptops as an ARC. Instead, with Commonwealth written consent, Vendor will record the conversion as a decrease to the desktop baseline quantity and an increase to the laptop baseline quantity in Attachment 10.1.4-A.

(c) For the CESC Mainframe Print Resource Units, ARCs shall not be calculated monthly, but rather on a six month basis. The Commonwealth will pay the baseline rate in Attachment 10.1.5-A times quantities in Attachment 10.1.4-A for CESC based Mainframe Print Resource Units and in January and July of each year, the Vendor and Commonwealth will review actual usage and apply the ARC formula to the cumulative quantities over the six month period.

5.3.3 ARC Deadband Table

The following ARC Deadband Table identifies the ARC Deadband Baseline by Service Tower that shall apply to each Resource Unit under a given Service Tower.

Table 3. ARC Deadband Table

Tower	ARC Deadband % of Baseline
Mainframe & Server Services (all Resource Unit Rate Services, except for the following:)	5%
▪ Mainframe Processing – OS/390	0%
▪ Mainframe Processing – Unisys	0%
▪ Disaster Recovery - Servers and Storage	0%
Desktop Computing Services	5%
Messaging Services	5%
Data Network Services	5%
Voice & Video Telecom Services	5%
Help Desk Services	5%

Security Services	5%
Internal Applications Services	5%
Chargeback Applications Services	5%

5.3.4 Additional Resource Sample Calculation

The following additional resource sample table provides an example of the ARC calculation:

Table 4. Additional Resource Example Table

Description	Calculation Formula
ARC Deadband Threshold	RU Baseline x (1.00 + ARC Deadband Baseline) (the ARC Deadband Baseline is expressed as a percentage)
Fee for Additional Resources	Fee for Additional Resources below the Deadband Threshold + Fee for Additional Resources above the Deadband Threshold
Fee for Additional Resources below the Deadband Threshold	The lesser of (Actual RUs – RU Baseline) x RU Rate or (ARC Deadband Threshold – RU Baseline) x RU Rate
Fee for Additional Resources above the Deadband Threshold	If (Actual RUs – ARC Deadband Threshold) > 0, (Actual RUs – ARC Deadband Threshold) x ARC Rate
Description	Calculation Example
Calculation	RU Baseline = 2,000 units, Actual RUs = 2,200 units, ARC Deadband = 5%, RU Rate - \$200.00, ARC Rate = \$150.00
Calculation of ARC Deadband Threshold	= 2,000 x (1.00 + 0.05) = 2,100
Calculation of Fee for Additional Resources below the Deadband Threshold	= The lesser of (2,200 – 2,000) x \$200.00 or (2,100 – 2,000) x \$200.00 = The lesser of \$40,000.00 or \$20,000.00 = \$20,000.00
Calculation of Fee for Additional Resources above the Deadband Threshold	= If (2,200 – 2,100) x \$150.00 > 0, (2,200 – 2,100) x \$150.00 = If \$15,000.00 > 0, \$15,000.00 = \$15,000.00
Calculation of Fee for Additional Resources	= \$20,000.00 + \$15,000.00 = \$35,000.00

5.3.5 Reduced Resource Credits (RRCs)

Credits for reduced resources are applicable whenever the actual resource utilization falls below the Baseline (volume). Credits for reduced resources are equal to (a) credits for reduced resource units above the Reduced Resource Credit (above the RRC) Deadband Threshold and (b) Credits for reduced resource units below the RRC Deadband Threshold. Credits for reduced resource units above the RRC Deadband Threshold are equal to (c) the reduced resource units above the threshold (volume), multiplied by (d) the Resource Unit Rate for such Resource Unit. Credits for reduced resource units below the RRC Deadband Threshold are equal to (e) the reduced resource units below the threshold (volume), multiplied by (f) the Reduced Resource Credit (RRC) rate applicable to the Resource Unit. The RRC rates for each Resource Unit for each Service Tower are set forth in Attachment 10.1.8 (Post-Transition Phase Fees – Reduced Resource Credits (RRC) Rates by Service Tower). The RRC Deadband Threshold is equal to (g) the Baseline (volume) for the Resource Unit, multiplied by the sum of 1.00 minus (h) the RRC

Deadband Baseline (expressed as a percentage) as set forth in the RRC Deadband Table in Section 5.3.6 below for each Service Tower.

Exceptions to Standard RRC Calculations:

(a) For the purposes of performing the above calculations, all decreases in the Commonwealth’s actual consumption of physical servers directly caused by the transitioning of or replacement of physical servers with virtual servers shall not count toward determining when the Deadband Threshold is surpassed. All such decreases in the Commonwealth’s actual consumption of physical servers shall be credited at the Resource Unit Rate.

(b) If an Eligible Customer seeking to convert the majority of its standard desktop computers to standard laptops as part of a regularly scheduled refresh (i.e., not an early or unscheduled refresh) provides written notice to Vendor reasonably in advance of the scheduled refresh and returns all assets to be replaced to Vendor, Vendor will not treat the desktops as a RRC. Instead, with Commonwealth’s written consent, Vendor will record the conversion as a decrease to the desktop baseline quantity and an increase to the laptop baseline quantity in Attachment 10.1.4-A, as described in Section 5.3.2 above.

(c) For the CESC Mainframe Print Resource Units, RRCs shall not be calculated monthly, but rather on a six month basis. The Commonwealth will pay the baseline rate in Attachment 10.1.5-A times quantities in Attachment 10.1.4-A for CESC based Mainframe Print Resource Units. In January and July of each year, the Vendor and Commonwealth will review actual usage and apply the RRC formula to the cumulative quantities over the six month period.

5.3.6 RRC Deadband Table

The following RRC Deadband Table identifies the RRC Deadband Baseline by Service Tower that shall apply to each Resource Unit under a given Service Tower.

Table 5. RRC Deadband Table

Tower	RRC Deadband % of Baseline
Mainframe & Server Services (all Resource Unit Rate Services, except for the following:)	5%
▪ Mainframe Processing – OS/390	0%
▪ Mainframe Processing – Unisys	0%
▪ Disaster Recovery – Servers and Storage	0%
Desktop Computing Services	5%
Messaging Services	5%
Data Network Services	5%

Voice & Video Telecom Services	5%
Help Desk Services	5%
Security Services	5%
Internal Applications Services	5%
Chargeback Applications Services	5%

5.3.7 Reduced Resource Sample Calculation

The following reduced resource sample table provides an example of the RRC calculation:

Table 6. RRC Example Table

Description	Calculation Formula
RRC Deadband Threshold	$RU \text{ Baseline} \times (1.00 - RRC \text{ Deadband Baseline})$ (the RRC Deadband Baseline is expressed as a percentage)
Credit for Reduced Resources	Credit for Reduced Resources above the Deadband Threshold + Credit for Reduced Resources below the Deadband Threshold
Credit for Reduced Resources above the Deadband Threshold	The greater of $(Actual \text{ RUs} - RU \text{ Baseline}) \times RU \text{ Rate}$ or $(RRC \text{ Deadband Threshold} - RU \text{ Baseline}) \times RU \text{ Rate}$
Credit for Reduced Resources below the Deadband Threshold	If $(Actual \text{ RUs} - RRC \text{ Deadband Threshold}) < 0$, $(Actual \text{ RUs} - RRC \text{ Deadband Threshold}) \times RRC \text{ Rate}$
Description	Calculation Example
Calculation	$RU \text{ Baseline} = 500 \text{ units}, Actual \text{ RUs} = 450 \text{ units}, RRC \text{ Deadband} = 5\%, RU \text{ Rate} = \$150.00, RRC \text{ Rate} = \80
Calculation of RRC Deadband Threshold	$= 500 \times (1.00 - 0.05)$ $= 475$
Calculation of Credit for Reduced Resources above the Deadband Threshold	$= \text{The greater of } (450 - 500) \times \$150.00 \text{ or } (475 - 500) \times \150.00 $= \text{The greater of } -\$7,500.00 \text{ or } -\$3,750.00$ $= -\$3,750.00$
Calculation of Credit for Reduced Resources below the Deadband Threshold	$= \text{If } (450 - 475) \times \$80.00 < 0, (450 - 475) \times \80.00 $= \text{If } -\$2,000.00 < 0, -\$2,000.00$ $= -\$2,000.00$
Calculation of Fee for Additional Resources	$= -\$3,750.00 + -\$2,000.00$ $= -\$5,750.00$

5.3.8 ARCs and RRCs Measurement Period and Reconciliation True-Up

The period for determining ARCs and RRCs will be performed on a calendar month basis commencing upon the beginning of Contract Year Three for each applicable Service Tower for which the Commonwealth receives Services. Commencing upon the beginning of Contract Year Three, at the end of every calendar month thereafter, the Commonwealth and the Vendor shall reconcile the Commonwealth's actual consumption of Resource Units for such calendar month against the Baselines applicable to such calendar month, and Vendor shall calculate ARCs and/or RRCs, as applicable for each Resource Unit, as set forth in this Schedule. Vendor shall ensure that all actual usage of Resource Units are measured and reported in accordance with the Resource Measurement provisions of this Schedule. The Commonwealth shall pay ARCs and

Vendor shall credit (or refund if the Term has ended) RRCs in accordance with the terms and conditions of the Agreement.

Vendor shall complete its analysis and reporting of actual consumption of Resource Units to the Commonwealth no later than fifteen (15) days following the end of the calendar month in which the Services were delivered. In the event that there is discovery of inaccuracies in the measurement or reporting of actual Resource Unit usage, which discovery occurs after the ninety (90) day period following the end of such calendar month, the maximum amount of ARCs allowable will be limited to the quantities that have been reported by Vendor and received by the Commonwealth during the ninety (90) day period following the end of the calendar month.

5.4 Minimum Revenue Commitment

If at any time during the Term of the Agreement (a) the Commonwealth's use of the Services is reduced due to decline in the Eligible Customer's volume consumption of the Services or pursuant to the Commonwealth's exercise of its rights under Section 3.18 of the Agreement (other than for Vendor's Default and subject to the Commonwealth's other rights under the Agreement and this Schedule) and (b) such reductions result in the Post-Transition Fees in the aggregate for all Service Towers and the annual Facility Fees being lower than eighty-five percent (85%) (the "**Minimum Revenue Commitment**") of the amount equal to the sum of (i) the fixed, flat recurring Fees described in Section 5.2 above and (ii) the fixed rate, volume-based recurring Fees for the Baseline Resource Units described in Section 5.3.1 above, then the Commonwealth shall continue to pay the amount equal to the difference (if positive) between the Minimum Revenue Commitment minus the Post-Transition Fees plus the annual Facility Fees as calculated in accordance with Section 5.2.3 above.

5.5 Administrative Burden, Microsoft Product Fees, Legacy Operations Fees, and Relocation and Upgrade Fees

5.5.1 Administrative Burden Fees

The Commonwealth may request that Vendor purchase goods or services (including assets, training, certificates, and licenses) that are different from or in addition to the Services as described in Section 3.1.1 of the Agreement or the standards described in Schedule 3.3. Vendor's proposals to provide all such commodities and additional services shall quote Resource Unit Rates whenever applicable. Whenever possible, Vendor will work with the Commonwealth to obtain subcontract labor at the rates available to the Commonwealth under its contingent labor contracts. For the provision of such goods and services, in addition to the costs for such goods and services, the following Fees apply: (a) an administrative burden equal to 7% of Vendor's costs, including shipping, for commodities not contained as part of a Resource Unit, and (b) an administrative burden equal to 7%, plus an additional 3% of the reasonable, actually incurred, and documented out-of-pocket costs required in order to provide an Eligible Customer with a Service that it is not already receiving or an increase quantity to an already delivered Service. Such costs include only those Vendor costs in excess of the costs that would be incurred by Vendor to provide the Services as outlined in Section 3 of the Agreement and all associated

Schedules, which may include both recurring and non-recurring costs. The Administrative Burden Fee identified in subsection (b) shall only be applied to costs where administrative or engineering activities are required in addition to traditional procurement activities. The Administrative Burden Fees identified in (a) and (b) of the previous sentence will not be applied to sales tax or Resource Unit Rates, including IMACs and Hourly Rates, nor will such Fees count against the applicable Overall Fee Limitation. Where Vendor provides any such non-standard asset that is a “premium” asset to which Vendor’s base cost for the “standard” asset can be applied, the Commonwealth will receive a credit for the cost of the standard asset that shall be applied before the Administrative Burden Fee is calculated. Examples of commodities subject to the Administrative Burden Fee are contained in Attachment 10.1.13 to Schedule 10.1.

For the purposes of this Schedule, the term administrative burden reflects a portion of Vendor’s direct and indirect expenses documented in accordance with Vendor’s established cost accounting standards and accounting practices

5.5.2 Microsoft Product Fees

The Microsoft Fixed Fees identified in Section 5.2.4 above include all fees for acquiring and maintaining the Microsoft products provided to the Commonwealth through Vendor’s Enterprise Agreement as of the execution of Amendment No. 60, excluding the licenses identified in the Contract Year Four annual true up identified below. The Commonwealth may incur additional Microsoft Product Fees in conjunction with requests for Services under Sections 6.4, 6.5 or 11 of the Agreement. On an annual basis, Vendor shall create a Microsoft price catalogue identifying the applicable Microsoft Product Fees for such incremental purchases, which Fees shall be fully-loaded and not subject to an administrative burden.

In addition, the Commonwealth’s total usage of Microsoft products is subject to an annual review and product by product “true-up” required by Vendor’s Microsoft Enterprise Agreement. Vendor shall provide the Commonwealth with documentation showing the results of such true-up. To the extent that such true-up indicates that the Commonwealth’s usage of Microsoft products has decreased, Vendor shall credit the Commonwealth the amount of any Microsoft Product Fees charged during the prior year which are determined not to be payable to Microsoft. To the extent that such true-up indicates that the Commonwealth’s usage of Microsoft products has increased, the Commonwealth shall pay to Vendor any applicable Microsoft Product Fees not previously paid, provided that any such amounts that result from Vendor’s errors in tracking work requests shall not exceed 20% of the current year’s Microsoft Product Fees.

For Contract Year 4 any such Microsoft Product Fees generated by the annual true-up process shall not exceed \$170,000 (one hundred seventy thousand dollars) total. Vendor shall invoice the Commonwealth for any such additional Microsoft Product Fees in the month following its payment of the true-up fees to Microsoft and shall credit the Commonwealth for overpayment of Microsoft Product Fees in the month such overpayments are identified. All Microsoft Product Fees shall not be factored into the calculation of the Overall Fee Limitation.

Not later than six months prior to February 28, 2012 (the expiration date of Vendor’s Enterprise Agreement with Microsoft) the Parties shall engage with Microsoft to determine a suitable contracting arrangement from March 1, 2012 forward.

5.5.3 Legacy Operations Fees

Pursuant to the conditions specified in Appendix 12 to Schedule 3.3, the Commonwealth shall pay the Fees authorized in such Appendix 12 for the support of legacy assets and the completion of Transition activities after January 1, 2011. Unless expressly specified in Appendix 12, the Administrative Burden identified in subsection 5.5.1 above shall not apply to the Legacy Operations Fees.

5.5.4 Relocation and Upgrade Fees

Relocation and Upgrade Fees apply as specified in Attachment 10.1.14.

6.0 Hourly Rates

The Hourly Rates that will apply to Vendor's (or its subcontractor's) performance of Out-of-Scope Work Requests, Initiatives, and In Scope Work Requests that the Parties have agreed in writing would be performed on a time-and-materials basis are set forth in Attachment 10.1.9 (Hourly Rates) hereto, as adjusted pursuant to Section 12 of this Schedule 10.1. For avoidance of doubt, the Hourly Rate, as adjusted pursuant to Section 12 of this Schedule 10.1, shall apply throughout the Term of the Agreement to the labor categories specified. Overtime rates equal to 1.5 times the Hourly Rate or applicable labor rate apply to work completed outside of normal business hours, if the Eligible Customer requests (or its business needs dictate) such after-hours work.

7.0 Managed Employees

In accordance with Section 8.1.2 of the Agreement, each month during the Term Vendor shall reimburse the Commonwealth for the cost to the Commonwealth of employing the Managed Employees and providing their services to Vendor, including salaries, incentive compensation, benefits (e.g., vacation and holiday accruals, VRS Retirement Contributions, Social Security, Medicare, Group Life, Annual Employer Health Insurance Premiums, Retiree Health Insurance Credit Premium, VSDP and Long-Term Disability Insurance, Defined Contribution Plan, and Deferred Compensation match Payments) and Vendor approved travel related expenses incurred and submitted in accordance with Commonwealth policies. The calculation of such reimbursement amount for each Managed Employee shall be done in the following manner, depending on the applicable phase of the Agreement. The Commonwealth shall provide to Vendor, such additional supporting documentation that Vendor may reasonably request.

- **Current Operations Phase:** the above referenced Managed Employee costs will not be factored into the Current Operations Phase Fees as described in Section 3.0 of Schedule 10.1 and, therefore, no credit or reimbursement for such costs as incurred by the Commonwealth will be applied against Vendor's invoices for Current Operations Phase Fees. However, such Managed Employee costs will be added to the calculation of the Commonwealth's Retained Costs, less reimbursements received from Vendor for the provision of Transition Services, will be added to the calculation of the Commonwealth's Retained Costs and subtracted from the amount of Fees that Vendor may charge the Commonwealth in that Contract year.

- **Transition Phase:** the above referenced Managed Employee costs have been factored into the Transition Phase Fees as described in Section 4.0 of Schedule 10.1 and, therefore, a reimbursement for such costs as incurred by the Commonwealth in connection with Managed Employees performing Transition Services will be provided by Vendor as follows: (1) The Commonwealth shall provide Vendor with a “fully loaded” hourly rate for each Managed Employee, inclusive of salaries, incentive compensation, benefits (e.g., vacation and holiday accruals, VRS Retirement Contributions, Social Security, Medicare, Group Life, Annual Employer Health Insurance Premiums, Retiree Health Insurance Credit Premium, VSDP and Long-Term Disability Insurance, Defined Contribution Plan, and Deferred Compensation match Payments) by the first of January and the first of July of each Contract Year; (2) No later than the tenth (10th) day of the following month, Vendor shall provide the Commonwealth with a written report setting forth the amount of time each Managed Employee spent performing Transition Services in the preceding month; (3) After receiving Vendor’s report, the Commonwealth shall send an invoice to Vendor based on the information described in subsections (1) and (2) above; and (4) within thirty (30) days after receiving such Commonwealth invoice, Vendor shall provide a direct reimbursement payment (by check or electronic funds transfer) to the Commonwealth in the amount of the Commonwealth invoice. Before the end of the first month of each Contract Year in which Transition Services shall be performed, Vendor shall estimate the amount of Transition Services to be provided by Managed Employees during that Contract Year and Vendor shall issue a “purchase order” to the Commonwealth detailing its estimate of such fees. Vendor’s purchase order shall be solely for Vendor’s administrative convenience and it shall not be considered a limitation on the amount of such fees to be invoiced by the Commonwealth and payable by Vendor.
- **Post-Transition Phase:** the above referenced Managed Employee costs have been factored into the Post-Transition Phase Fees as described in Section 5.0 of Schedule 10.1 and, therefore, a credit for all such costs as incurred by the Commonwealth will be applied against Vendor’s invoices for Post-Transition Phase Fees. In the month following actual expenditure by the Commonwealth for such managed Employee costs, the Commonwealth shall receive a credit for the full amount of such costs on Vendor’s then current invoice.

8.0 Exit Fees and Resolution Fees

8.1 Exit Fees

8.1.1 General Methodology

In any given Contract Year, where the Commonwealth is required to pay an Exit Fee, such Exit Fee shall be the lesser of (a) the Exit Fee set forth in Attachment 10.1.10 (Exit Fees) as calculated in accordance with this Schedule 10.1 or (b) the “Calculated Exit Fees”, which is to be calculated as described below. Depending upon the reason for the termination, the Commonwealth may pay the Exit Fee for the applicable Contract Year. There shall be no Exit

Fee for any termination on or after the expiration of the initial ten (10) year Term, unless the Commonwealth has exercised Section 14.1.2 (Term Renewal) of this Agreement, in which instance the Exit Fees shall be applicable to that renewal Term, but not for any termination on or after the expiration of such renewal term. Amounts may be invoiced by Vendor as costs are incurred by Vendor or assumed as obligations of the Commonwealth as indicated in the respective Fee component in Attachment 10.1.10 (Exit Fees).

8.1.2 Excluded Exit Fees

If the Commonwealth terminates any portion of the Services pursuant to Sections 14.3, 14.5.1, 14.7, or 14.8 of the Agreement, the portion of the Exit Fees as reflected on Attachment 10.1.10 (Exit Fees) that pertain to the terminated Services shall not ever be payable to Vendor.

8.1.3 Timing of Calculation

Exit Fees shall be calculated as of the Termination Date.

8.1.4 Calculated Exit Fees

If and to the extent an Exit Fee is applicable, Vendor shall calculate such Exit Fee (“**Calculated Exit Fees**”) for the respective Service Tower(s) (or subcomponent(s) thereof) as equal to the reasonable, actually incurred, and documented out-of-pocket Vendor costs (including both direct and indirect expenses as defined by GAAP and in accordance with Vendor’s established accounting practices) for as described in the subparagraphs to Section 8.1.5 of this Schedule. The Parties agree that the indirect rates applicable to Vendor’s lead business unit Commercial, State & Local Solutions, or its successor, shall be employee fringe benefits applied to direct labor (i.e., that portion of salary charged directly to the Services) and general and administrative applied to total cost inputs.

8.1.5 Exit Fees

Exit Fees shall consist of the following to the extent reasonably incurred by Vendor as a direct result of the early termination of the Agreement in the aggregate, or the applicable Services:

8.1.5.1 Vendor Employees Severance and Outplacement Expenses

With respect to Vendor employees who were dedicated solely to the provision of Services to the Commonwealth (“**Eligible Vendor Employees**”), Exit Fees shall consist of the severance described below reasonably incurred by Vendor and related outplacement services provided to such employees. Eligible Vendor Employees shall not include Vendor employees who are assigned following the notice of termination to replace reassigned or terminating Vendor Personnel and/or to perform Disentanglement Services. The actual severance payments made to Eligible Vendor Employees pursuant to the then-current Vendor severance policy are allowable under this Section 8.1.5.1; provided that severance occurs within sixty (60) days after each such employee ceases to perform Services for the Commonwealth. Vendor shall use commercially reasonable efforts to minimize the severance and redeployment costs to be reimbursed by the Commonwealth.

8.1.5.2 Third Party Contract Termination Expenses

With respect to third party contracts used by Vendor solely for the benefit of the Commonwealth to provide the Services, Exit Fees shall consist of (i) any termination or cancellation fees that Vendor is contractually required to pay to a third party in connection with the early termination

of such contract, (ii) any non-cancelable charges that Vendor is contractually required to pay to a third party during the remaining term of such contract, and (iii) any costs actually incurred by Vendor to third parties to resolve a contractual obligation under such third party contracts.

8.1.5.3 Legal Expenses

With respect to legal support utilized by Vendor to perform termination related activities described in Sections 8.1.5.1 and 8.1.5.2, Exit Fees shall consist of (a) labor and out-of-pocket costs for in-house counsel and (b) reasonable and customary legal fees plus documented out-of-pocket costs for outside counsel. For avoidance of doubt, such fees shall not include any such costs incurred with respect to any litigation or dispute between Vendor and the Commonwealth.

8.1.5.4 Travel Expenses

With respect to travel performed by Vendor or a third party to perform termination related activities, Exit Fees shall consist of reasonable travel costs (including transportation, lodging, car rental, and meals or per diem as applicable) incurred and documented pursuant to Vendor's or third party's established expense accounting practices, provided that such travel expenses are incurred in accordance with Commonwealth travel regulations.

8.1.5.5 Miscellaneous Expenses

With respect to any other unforeseen or other expenses incurred to perform termination related activities, Exit Fees shall consist of such miscellaneous expenses incurred and documented pursuant to Vendor's or third party's established accounting practices.

8.1.5.6 Vendor Mitigation

With respect to the Calculated Exit Fees described in this Schedule 10.1, Vendor shall use commercially reasonable efforts to avoid incurring the costs, minimize the costs incurred, and/or recover amounts previously paid. The commercially reasonable efforts to be employed by Vendor shall include, to the extent applicable and permissible under the agreements, (i) providing the Commonwealth with a list of all leases, contracts and/or equipment and the costs associated with each within thirty (30) days after Vendor's receipt of a notice of termination, (ii) working with the Commonwealth to identify all commercially reasonable means to avoid or minimize such costs, (iii) offering to make the equipment leases, Vendor owned equipment and third party contracts available to the Commonwealth or its designee in accordance with Section 15 of the Agreement, (iv) redeploying any remaining equipment and third party contracts within Vendor's organization if, and as soon as, commercially reasonable, (v) negotiating with the applicable third party to eliminate or reduce the fees or charges to be incurred, and/or (vi) selling, canceling or otherwise disposing of any equipment leases, Vendor owned equipment and third party contracts that cannot be redeployed. The costs to be reimbursed by the Commonwealth shall cease to accrue following the redeployment or use of such equipment and third party contract for any other purpose and shall be reduced by the net proceeds received from any sale or other disposition. In addition, Vendor shall use commercially reasonable efforts to avoid agreeing in any of its subcontracts or other third party contracts to termination or cancellation fees or non-cancelable charges and, to the extent it is unable to avoid agreeing to such terms, Vendor shall fully disclose such terms to the Commonwealth in seeking the Commonwealth's approval of such Subcontractor pursuant to the Agreement. Notwithstanding the foregoing,

Calculated Exit Fees shall not include any amounts with respect to equipment and third party contracts to the extent the Commonwealth or its designee elects to purchase any Vendor owned equipment or assume any Vendor held equipment leases or third party contracts pursuant to Disentanglement. However, the Commonwealth will pay any transfer fees due those third parties.

8.2 Resolution Fees

Pursuant to Section 14.11 of the Agreement, upon termination of the Agreement by the Commonwealth, the Resolution Fees that the Commonwealth shall be required to assume shall be the Resolution Fees set forth in Attachment 10.1.11 (Resolution Fees) as calculated in accordance with this Schedule 10.1. Resolution Fees shall be calculated as of the Termination Date.

8.2.1 Unpaid Transition Costs

Upon a termination of the Agreement where Resolution Fees apply, the Commonwealth shall pay the “unpaid transition costs” amount specified in Attachment 10.1.11 (Resolution Fees). This amount reflects the unpaid portion of transition costs previously incurred by Vendor related to the Services and amortized over the Contract term. This amount shall be invoiced by Vendor as a lump sum on the Termination Date and shall be payable by the Commonwealth in accordance with Section 10.3.3 of the Agreement.

8.2.2 Infrastructure Lease Costs

Upon a termination of the Agreement where Resolution Fees apply, the Commonwealth shall execute a lease agreement with Vendor for continued use and acquisition of hardware and software infrastructure of the Services over a five year period. Such successor agreement shall be in a form mutually agreeable to the Parties based upon commercial leasing terms and conditions, and contain a provision similar to Section 14.7 (Termination by the Commonwealth for Lack of Funds). The payments under such lease agreement commencing the month following the Termination Date shall be those specified as “infrastructure lease costs” Attachment 10.1.11 (Resolution Fees).

Alternatively, the Commonwealth may elect an early buyout of the infrastructure lease described above which would fulfill the obligation and transfer title to the hardware and software infrastructure upon payment of the “infrastructure lease early buyout costs” amount specified in Attachment 10.1.11 (Resolution Fees). This amount shall be invoiced by Vendor as a lump sum on the Termination Date and shall be payable by the Commonwealth in accordance with Section 10.3.3 of the Agreement.

8.2.3 Facility Occupancy Costs

Upon a termination of the Agreement where Resolution Fees apply, the Commonwealth shall execute a successor agreement with Vendor for continued use of the Primary Data Center Facility through the remainder of the Initial Term and any exercised Renewal Term of this Agreement. Such successor agreement shall be in a form mutually agreed to by the Parties and contain provisions consistent with those in Section 4.2 of this Agreement. The payments under such successor agreement shall be those specified as “facility occupancy costs” Attachment 10.1.11 (Resolution Fees). In addition, the Commonwealth shall assume responsibility for all

utilities and operating expenses other than the “facility occupancy costs” (i.e., electricity, heat, etc.) for such portion of the Primary Data Center Facility.

8.2.4 Calculated Resolution Fees

The Fees described in Attachment 10.1.11 (Resolution Fees) are specified as of the last day of each Contract Year. The Fees payable at an end of month, other than the end of a Contract Year, shall be calculated by linear interpolation between the amounts specified in Attachment 10.1.11 (Resolution Fees) for the prior and succeeding Contract Years. The following equation, where *Month#* represents the ordinal month of the Contract Year, shall be used for this interpolation:

$$\text{Resolution Fee}_{\text{Calculated}} = \text{Resolution Fee}_{\text{Prior}} + \left[\frac{\text{Resolution Fee}_{\text{Succeeding}} - \text{Resolution Fee}_{\text{Prior}}}{12} \right] \times \text{Month\#}$$

8.2.5 Excluded Resolution Fees

If the Commonwealth terminates any portion of the Services pursuant to Sections 14.5.1, 14.7, or 14.8 of the Agreement, the portion of the Resolution as reflected on Attachment 10.1.11 (Resolution Fees) that pertain to the terminated Services shall not ever be payable to Vendor.

9.0 Disentanglement Fees

Pursuant to Section 15 (Disentanglement) of the Agreement, upon termination of the Agreement by the Commonwealth, Commonwealth may elect to acquire the following infrastructure equipment, facilities, or Services at the Disentanglement Fees described below and set forth in Attachment 10.1.12 (Disentanglement Fees).

9.1 Infrastructure Lease Fees

Upon a termination of the Agreement where Resolution Fees do not apply, the Commonwealth may execute a lease agreement with Vendor for continued use and acquisition of hardware and software infrastructure of the Services over a five year period. Such successor agreement shall be in a form mutually agreeable to the Parties based upon commercial leasing terms and conditions, and contain a provision similar to Section 14.7 (Termination by the Commonwealth for Lack of Funds). The payments under such lease agreement shall be those specified as “infrastructure lease fees” Attachment 10.1.12 (Disentanglement Fees).

Alternatively, the Commonwealth may elect an early buyout of the infrastructure lease described above which would fulfill the obligation and transfer title to the hardware and software infrastructure upon payment of the “infrastructure lease early buyout fees” amount specified in Attachment 10.1.12 (Disentanglement Fees). This amount shall be invoiced by Vendor as a lump sum on the Termination Date and shall be payable by the Commonwealth in accordance with Section 10.3.3 of the Agreement.

9.2 Facility Occupancy Fees

Upon a termination of the Agreement where Resolution Fees do not apply, the Commonwealth may execute a successor agreement with Vendor for continued use of the Primary Data Center Facility through the remainder of Vendor’s underlying fifteen year lease for the facility. Such successor agreement shall be in a form mutually agreed to by the Parties and contain provisions consistent with those in Section 4.2 of this Agreement. The payments under such successor

agreement shall be those specified as “facility occupancy fees” Attachment 10.1.11 (Disentanglement Fees). In addition, if the Commonwealth elects to enter into such successor agreement, the Commonwealth shall assume responsibility for all utilities and operating expenses other than the “facility occupancy costs” (i.e., electricity, heat, etc.) for such portion of the Primary Data Center Facility.

9.3 Other Disentanglement Fees

Fees payable for continued performance of Services of a Service Tower(s) during a Disentanglement shall be the Fees charged for such Service Tower(s) under this Agreement applicable to the Disentanglement Period. The Fees payable to Vendor for any other Disentanglement Services (including the continued provision of the Services being terminated) other than those identified in Sections 9.1 and 9.2 above shall be the lesser of (i) the fees charged for such Services under this Agreement applicable to the Disentanglement Period, or (ii) the hours expended at the hourly rates specified in Exhibit 10.1.9 (Hourly Rates) or (iii) an amount equal to (a) the reasonable, actually incurred, and documented out-of-pocket Vendor costs (including both direct and indirect expenses as defined by GAAP and in accordance with Vendor’s established accounting practices and Commonwealth travel regulations) for performing Disentanglement Services (collectively, the “**Disentanglement Costs**”), plus (b) an administrative fee equal to seven percent (7%) of the Disentanglement Costs. These Fees will be invoiced to the Commonwealth in accordance with the Agreement in the month following the month in which Vendor actually performed the Disentanglement Services or incurred the Disentanglement Costs. Vendor may not invoice the Commonwealth for any Disentanglement Costs for which Vendor does not produce sufficient supporting documentation in accordance with Section 10.3 of the Agreement, including a general ledger summary (or equivalent report) of the Disentanglement Costs for the relevant month, documenting such Disentanglement Costs by Tower and element of cost.

10.0 Critical Milestone Credits

Credits payable to the Commonwealth by Vendor for the failure to timely achieve Critical Milestones and the earn-back of such credits shall be governed by Section 6.6 (Critical Milestones) of this Agreement.

11.0 Performance Credits

Credits payable to the Commonwealth by Vendor for the failure to achieve Service Levels and the earn-back of such credits shall be governed by Schedule 3.12 of this Agreement.

12.0 Cost of Living Adjustment (COLA)

The Vendor shall notify the Commonwealth whether current costs have increased or decreased from those in effect on September 30, 2006 based upon reporting of the average as calculated below of (A) Employment Cost Index (ECI), Wages and Salaries, Private Industry, Professional, scientific and technical services (CIU20254000000000I (I)) (referenced as “ECIA” in this Section 12) and (B) Employment Cost Index (ECI), Wages and Salaries, Private Industry, for the South Atlantic (CIU2020000000225I (J)) (referenced as “ECIB” in this Section 12) as both are reported by Bureau of Labor Statistics, or another third party mutually agreed to by the Parties. This notification shall be made by September 30 of each Contract Year. The notice shall include

the Vendor's proposal for an adjustment in Fees and supporting data explaining the requested adjustment.

Promptly after receiving the notice and supporting data, but not later than November 15 of each Contract Year, the Commonwealth and Vendor shall negotiate and execute a contract modification adjusting the Fees specified in this Schedule effective on November 30 of each Contract Year. All Fee increases resulting from cost of living adjustments will not count against the Overall Fee Limitation.

A one time adjustment made in Contract Year Four shall be calculated for the Fees specified in Attachments 10.1.5-A (Post-Transition Fees – Fixed Recurring Fees and Resource Unit Rates), 10.1.7 (Post-Transition Fees – Additional Resource Charge Rates), and 10.1.8 (Post-Transition Fees – Reduced Resource Credit Rates) for Contract Years Four through Thirteen according to the following formula:

$$\text{Fees Adjusted} = \text{Fees Prior Period} \times [1 + 35\% \times \text{ECI Growth A}]$$

$$\text{ECI Growth A} = \left[50\% \times \frac{(\text{ECIA Q2 2009} - \text{ECIA Q2 2006})}{\text{ECIA Q2 2006}} \right] + \left[50\% \times \frac{(\text{ECIB Q2 2009} - \text{ECIB Q2 2006})}{\text{ECIB Q2 2006}} \right]$$

A one time adjustment made in Contract Year Four shall be calculated for the Fees specified in Attachment 10.1.9 (Hourly Rates) for Contract Years Four through Thirteen according to the following formula:

$$\text{Fees Adjusted} = \text{Fees Prior Period} \times [1 + 100\% \times \text{ECI Growth A}]$$

Subsequent adjustments will occur each Contract Year and be applied to the Fees specified in Attachments 10.1.5-A (Post-Transition Fees – Fixed Recurring Fees and Resource Unit Rates), 10.1.7 (Post-Transition Fees – Additional Resource Charge Rates), and 10.1.8 (Post-Transition Fees – Reduced Resource Credit Rates) for the current and all future Contract Years according to the following formula:

$$\text{Fees Adjusted} = \text{Fees Prior Period} \times [1 + 35\% \times \text{ECI Growth B}]$$

$$\text{ECI Growth B} = \left[50\% \times \frac{(\text{ECIA Q2 Current Period} - \text{ECIA Q2 Prior Period})}{\text{ECIA Q2 Prior Period}} \right] + \left[50\% \times \frac{(\text{ECIB Q2 Current Period} - \text{ECIB Q2 Prior Period})}{\text{ECIB Q2 Prior Period}} \right]$$

Subsequent adjustments will be applied to the Fees specified in Attachment 10.1.9 (Hourly Rates) for the current and all future Contract Years according to the following formula:

$$\text{Fees Adjusted} = \text{Fees Prior Period} \times [1 + 100\% \times \text{ECI Growth B}]$$

In Contract Year Ten, the adjustments will be based on a shortened formula, in lieu of the formulas above, which will be applied to Contract Years Ten through Thirteen as follows:

$$\text{Fees Adjusted} = \text{Fees Prior Period} \times 1.0475.$$

Cost of living adjustments shall not apply to any services that are required to be delivered or performed before the effective date of the adjustment, unless the Vendor's failure to deliver or perform according to the delivery schedule results from causes beyond the Vendor's control and without its fault or negligence.

13.0 No Security Interests

Notwithstanding anything to the contrary in the Agreement, Vendor shall not grant any security interest inconsistent with this Agreement in any of the assets used to perform the Services, or otherwise take any similar or other action that encumbers, impedes, hinders, or otherwise adversely impacts the Commonwealth's ability to receive the full benefit of the Services contemplated under this Agreement, or to exercise any of its rights or remedies to the full extent permitted under this Agreement; without first obtaining in each instance the express, prior written consent of the Commonwealth, which may be withheld in the Commonwealth's sole discretion. If the Commonwealth so grants its consent, such consent shall be conditioned on: (i) the third party to which Vendor assigns such rights or grants such interests agreeing in writing to never exercise such rights in a manner that would encumber, impede, hinder, or otherwise adversely impact the Commonwealth's ability to receive the full benefit of the Services contemplated under this Agreement or to exercise any of its rights or remedies to the full extent permitted under this Agreement, and (ii) Vendor being fully responsible for all administrative costs and burdens related to such assignment of rights or grant of interest, or required by the third party to which Vendor assigns such rights or grants such interests.
