

Appendix 1 to
Sixth Amendment of
Master Services Agreement

Exhibit 4
Pricing and Financial Provisions

DIR-MSS-SCP-001
June 17, 2020



**Exhibit to Managed Security Services
Service Component Provider
Master Services Agreement
DIR Contract No. DIR-MSS-SCP-001**

Between

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

and

AT&T Corp.

**Exhibit 4
Pricing and Financial Provisions**

June 17, 2020

Change Log

CCR/CN	Amendment	Date	Description
CCR-000314	Amendment 1	09/19/2018	<ul style="list-style-type: none"> • Updated SOC Monitoring & Alerting Requirements to 7am – 7pm in Section 15.1 • Added RU definition for SOC Monitoring & Alerting Requirements (5am – 9pm) in Section 15.1 • Added RU definition for Election Security Assessments in Section 15.1 • Cosmetic updates (e.g., footer, revision number, etc.) • Clarifying reference to Chargeback and Reporting Systems
CCR-000329	Amendment 2	01/14/2019	<ul style="list-style-type: none"> • Section 15.1 (iii) Change to the IDS/IPS Resource Unit to be applicable to devices that are 10 Gbps or greater.
CCR-000350	Amendment 4	6/26/2019	<ul style="list-style-type: none"> • Section 15.3 (ix) Added RU definition for DIR's Cybersecurity Portal (Local Government Entities (LGE)).
CCR-000381	Amendment 5	3/19/2020	<ul style="list-style-type: none"> • Section 15.1 Added RU definition for SOC Monitoring & Alerting Requirements (24x7).
CCR-000XXX	Amendment 6	6/17/2020	<ul style="list-style-type: none"> • Section 11: <ul style="list-style-type: none"> • Updated volume discount tier amounts in “Monthly Charges” column • Added language to clarify application of volume discount tiers

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1. Introduction

This **Exhibit 4** describes the methodology for calculating the Charges for all of the Services, unless otherwise expressly provided in the Agreement.

All capitalized terms in this **Exhibit 4** shall have the same meanings given them in **Exhibit 1**, Definitions. All Attachments hereto are incorporated by reference herein.

2. Accuracy, Completeness and Interpretation

Service Component 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 Component Provider shall not be entitled to adjust its pricing or any other terms of the Agreement.

All Charges calculated in accordance with **Exhibit 4** shall be invoiced to DIR by Service Component Provider in accordance with the applicable invoice and payment provisions set forth in **Section 12**, Invoicing and Payment, of the Agreement. The Service Component Provider shall not impose any fixed or monthly required minimum fees or support level pricing for any Service or at the total contract level; in no event will DIR be required to pay Service Component Provider for Services not consumed or utilized by DIR.

3. U.S. Dollars

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

4. Resource Unit Measurement Methodology

In managing the Resource Units, Service Component Provider shall maintain the flexibility to respond to changes in DIR's and Customers' Service demand on a day-to-day and month-to-month basis, particularly as to those portions of the Services where DIR and 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 Component Provider shall provide such support, resources, or extended hours of service at no additional charge to DIR or Customers other than the Charges for applicable Resource Units. The Parties may jointly agree in writing to provide Resource Unit discounts for Customers with existing Equipment.

Billable Resource Unit usage is measured on a monthly basis to determine DIR Customers' actual Resource Unit utilization for purposes of calculating Charges. Starting on the Commencement Date and monthly thereafter, Service Component Provider will measure, track and report Resource Units usage. Unless otherwise expressly stated herein with respect to an RU, Service Component Provider will measure the aggregate RU volume consumed for all Customers in determining Charges as of the last day of each month. Monthly volumes can be adjusted to include any volume in service for at least one (1) day of the calendar month. Service Component Provider's method and tools for measuring, tracking and reporting RUs is subject to DIR approval. Any automated system used by Service

Component 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**, Audit Rights, of the Agreement.

5. New Services Charges

If, and to the extent, DIR requests Service Component 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 Component Provider and approved by DIR in accordance with **Section 11.5**, New Services, of the Agreement; provided, however to the extent any New Services are FTE-based, the Charges for such New Services shall be subject to the **Attachment 4-A**, Service Component Provider Pricing Forms (MSS), Rate Card Resource rates unless the Parties otherwise agree in writing.

6. Billing Triggers

A mutually agreed upon policy and process will be established to determine the criteria that must be met to initiate or stop billing for a Service. These billing triggers will be documented in the Service Management Manual (SMM). At a minimum, the billing triggers should address the following scenarios to determine the appropriate criteria that must be met to generate a Charge increase or decrease:

- (a) Criteria for a Resource Unit to begin billing
- (b) Criteria for a fixed milestone or charge to begin billing.
- (c) Criteria for a Rate Card Resources to begin billing.

7. Chargeback

The Multi-sourcing Service Integrator (MSI) is responsible for developing, managing, and maintaining the Chargeback System as well as developing and coordinating the associated Service Component Providers processes, as described in **Exhibit 2.1.2**, Cross Functional Service SOW. The Service Component Providers are responsible for data collection, data integrity, and providing data feeds to the MSI for charging back those fees to Customers. Where applicable, the MSI manages the Chargeback unit rate development process in coordination with DIR. DIR provides the methodology, but the MSI develops the calculations and maintains the process, which may include the allocation of some, or all, of a Service Component Provider's Charges into another Service Component Provider's Charges for Chargeback purposes.

The MSI is the financial intermediary between the Service Component Providers and DIR. In this role, the MSI provides the Services to provision and manage 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 Component Providers' Monthly Invoices with the cumulative total of the Customers' Chargeback invoices.

The MSI provides DIR with the supporting detail necessary to facilitate DIR's payment of the Monthly Invoice to each Service Component Provider. A description of the current Chargeback system, capabilities and process is described in Chargeback and Reporting Services

For Pass-Through Expenses per Section 9 below, New Services, and other Services for which Service Component Provider is authorized to charge separately by DIR, Service Component Provider will provide data to the MSI to support the Charges by Customer and Customer account identifier that conforms with the requirements of **Section 12.1(a)**, Invoice, of the Agreement. DIR provides the MSI with the chargeback methodology and the MSI makes available to DIR and Customers through the Portal the monthly chargeback volumes, rates, and extended charge per Service per Customer and Customer account identifiers. Chargeback detail for each Customer is made available in the Chargeback System via the Portal in a format that aligns with the form(s) of invoice described in **Attachment 4-F**, Form of Invoice.

At a minimum, DIR requires Service Component Provider to provide detailed billing data by Customer, Customer account identifier, by service type and by such factors as requested by DIR. DIR is responsible for providing Service Component Provider with the factors to track, as well as the methodology to be used to indicate usage among such factors. The MSI provides 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, provided by the MSI, must include the current Contract Year and the previous two Contract Years' data. Billing detail beyond this time period is archived, by the MSI, and available upon request.

Service Component Provider will develop and implement changes to comply with OMB Guidance for Grants and Agreements (Title 2, Subtitle A, CFR 200) 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 Customers. For most billable Services, the chargeback methodology will distribute charges to the benefiting Customers and programs based upon proportionate usage. This approach requires appropriate utilization data be captured for each Service and used to distribute charges to the benefiting programs identified by each Customer.

8. Resource Unit Measurement Validation

Prior to invoicing for Services, DIR and the Service Component Provider will review the processes and tools used for invoicing and Chargeback, as well as resulting data, to ensure such processes and tools are appropriate, accurate, and producing consistent data. Service Component Provider will obtain DIR Acceptance for all measurement and tracking tools, methodologies, processes and reports used to produce the Charges and, in coordination with the MSI, Service Component Provider will document methodologies and processes in the SMM. DIR will have the right to access, audit, and validate the measurement and tracking tools and output results as a means to validate the Charges on a quarterly basis or as described in the SMM. DIR may also require Service Component Provider to utilize a Service Component Provider recommended alternative

measurement or tracking tool approved by DIR in the invoicing or Chargeback process, at no additional cost to DIR, if audit results determine the existing measurement or tracking tools do not consistently perform accurately or otherwise in accordance with the requirements of this **Exhibit 4**. Any tool changes and/or processes proposed by Service Component Provider require prior DIR Acceptance, which DIR may withhold in its sole discretion.

9. Financial Planning and Forecasting

Service Component Provider shall provide the MSI with a semi-annual forecast of Charges and usage trends by Service (aligned with the State's fiscal year). The Charges forecast must be inclusive of Rate Card Resources, Pass-Through Expenses and New Services. The forecast must also include known and expected changes captured as part of the Technology Plan and Capacity Management processes. As described in the SMM, such forecasts shall be delivered by Service Component Provider to DIR on the following schedule:

- (a) In even-numbered years, the financial forecast will be delivered on February 1 and October 1. The February 1 financial forecast will include updated forecasts for the current biennium and projections for the next biennium.
- (b) In odd-numbered years, the Financial Forecast will be delivered on April 1 and October 1.
- (c) Service Component Provider shall provide DIR with a historical view of actual billed Services 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 an eighteen (18) month rolling view of billed Services for the eighteen (18) months immediately prior to the month in which such report is provided.

10. Pass-Through Expenses

Service Component Provider shall administer and invoice DIR for Pass-Through Expenses in accordance with **Section 11.2**, Pass-Through Expenses, of the Agreement and pursuant to the applicable procedures in the SMM. 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 Component 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 that are designated for procurement on a Pass-Through Expense basis. The administration/processing of Pass-Through Expenses by Service Component Provider will be charged to Customers as an **5%** markup of the Pass-Through invoice amount.

11. Volume Discount

Service Component Provider shall apply the following volume-based discounts for the total work delivered to Customers as per the following incremental volume discount tiers:

Monthly Charges	Incremental Volume Discount %
Less than \$2,099,999.99	0%
Between \$2.1 Million & \$ 5,999,999.99	.05%
Between \$6 Million & \$ 10,999,999.99	1%
Between \$11 Million & \$ 15,999,999.99	1.5%
Above \$16 Million	2%

The foregoing discounts apply on an aggregate incremental tiers basis and not applied unilaterally to the entire sum of Charges. For example, if the Monthly Charges equals \$3M, the first \$2,099,999.99 will be discounted by the first-tier percent and the second \$900,000.01 will be discounted by the second-tier percent and so on.

12. DIR SOC Transition Costs

The Charges include DIR SOC Transition Costs in **Attachment 4-A** which are billed to DIR in accordance with the **Attachment 4-A** schedule provided the Service Component Provider has obtained DIR's Acceptance of the applicable Milestones. DIR SOC Transition Costs will be itemized on the applicable DIR Monthly Invoices in sufficient detail to delineate the specific nature of the Charges and the applicable amount payable.

13. Termination Charges

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

13.1 Service Component Provider Equipment

- (i) With respect to Service Component Provider owned Equipment (including Equipment owned by Service Component Provider Affiliates and Subcontractors) that is implicated by the relevant

termination event and used by Service Component Provider, Service Component Provider Affiliates or Subcontractors on a fully dedicated basis to perform the Services, if DIR, the Customers, and their designee(s) decide not to purchase such Equipment and Service Component Provider, Service Component Provider Affiliates, Subsidiaries, 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 Component Provider, Service Component Provider Affiliates, or Subcontractors through the sale or other disposition of such Equipment).

- (ii) Service Component Provider shall use commercially reasonable efforts to avoid incurring costs described in (i) of this Subsection, minimize any such costs incurred and/or recover amounts previously paid. The commercially reasonable efforts to be employed by Service Component Provider, Service Component Provider Affiliates and Subcontractors shall include, to the extent applicable:
 - (1) working with DIR to identify all commercially reasonable means to avoid or minimize such costs
 - (2) offering the Equipment to DIR, Customers and/or their designee(s) in accordance with **Section 4.6**, Termination Assistance Services, of the Agreement
 - (3) redeploying any such Equipment not assumed or acquired by DIR, any Customer or their designee(s) within Service Component Provider's, any Service Component Provider Affiliate's or any Subcontractor's organization if, and as soon as, commercially reasonable
 - (4) 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 (i) through (ii) of this Subsection, DIR shall not be obligated to pay any Termination Charges with respect to any Equipment implicated by any termination event to the extent
 - (1) DIR, any Customer or their designee(s) purchases any such Equipment or

- (2) Service Component Provider, the applicable Service Component Provider Affiliate or the applicable Subcontractor is unable (unless otherwise expressly agreed by DIR pursuant to **Section 6.4**, Materials, Equipment and Third Party Contracts, of the Agreement) or unwilling to offer DIR, the Customers and their designee(s) the right to assume such Equipment.

13.2 Third Party Contracts

- (i) With respect to Third Party Contracts (including leases, licenses, and service contracts with Third Parties) that are implicated by the relevant termination event, and used by Service Component Provider solely to perform the Services; if DIR, the Customers and their designee(s) decide not to assume any such Third Party Contract, and Service Component Provider is not able to use such Third Party Contract in connection with its performance of Services for any other Service Component 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 any termination or cancellation fees that Service Component Provider is contractually required to pay to the counter-party to such Third Party Contract in connection with the early termination and which are specified in **Exhibit 18** (Reserved), plus subject to Subsection 12.1(i) through (iii) above, unrecovered prepaid charges that Service Component 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 Component 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 Component Provider, Service Component Provider Affiliates and Subcontractors shall use commercially reasonable efforts to avoid incurring the costs described in (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 Component Provider, Service Component Provider Affiliates and Subcontractors shall include, to the extent applicable
 - (1) working with DIR to identify all commercially reasonable means to avoid or minimize such costs
 - (2) redeploying any such Third Party Contracts not assumed or acquired by DIR, any Customer or their designee(s) within Service Component Provider's, any Service Component Provider Affiliate's or any Subcontractor's organization if, and as soon as, commercially reasonable

- (3) negotiating with the applicable counter-parties to such Third Party Contracts to eliminate or reduce such costs
- (4) 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.

13.3 Agreement Termination Charges Calculation

- (i) If DIR terminates the Agreement in its entirety pursuant to **Section 20.2**, Termination for Convenience, of the Agreement, the Termination Charges payable with respect to such termination shall be the sum of the applicable costs described in Section 12. If DIR terminates a service area 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 11 above, equitably reduced in proportion to the portion of the terminated Services.
- (ii) Service Component Provider shall invoice DIR for the Termination Charges owed following the date such Termination Charges are calculated pursuant to **Section 20.10(b)**, Termination Charges, of the Agreement, and such invoice shall be due and payable in accordance with Section 12 of the Agreement. Service Component Provider shall prepare an itemized calculation of the potential Termination Charges and deliver it to DIR within thirty (30) days after Service Component 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**, Audit Rights, of the Agreement.

14. Return of Payments

Any Charges, expenses, refunds, rebates, credits or other amounts paid by DIR which Service Component 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)**, Termination Charges, 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.

15. Resource Unit Categories

Managed Security Services consist of three (3) Service Components: Security Monitoring & Device Management, Incident Response, and Risk and Compliance.

Each Service Component has multiple Service Areas and Resource Units with fixed unit rate pricing set forth in **Attachment 4-A**, Service Component Provider Pricing Forms (MSS), which fully compensates Service Component Provider for Managed Security Services per Section 4 above.

Attachment 4-D, Resource Baselines, includes anticipated Managed Security Services volumes and customers committed at Commencement. These volumes shall be used to determine Service Component Provider's pricing. Charges will be based upon actual volumes consumed.

Any pre-Commencement setup costs required by Service Component Provider to deliver Managed Security Services are recovered through the **Attachment 4-A** Charges and should not be priced separately.

15.1 Security Monitoring and Device Management

The following Resource Units shall fully compensate Service Component Provider for the performance of Security Monitoring and Device Management Services as described in **Exhibit 2.8.1 Statement of Work**. These Services include, but are not limited to, Service Component Provider Personnel, Tools, Equipment, secure sensors, and Software as applicable. The Service Component Provider will propose the Charges for these Services upon request from Customers per **Attachment 25-B**, Form of Service Proposal. There are 39 distinct Resource Unit Categories based on platform support models (24 x 7 x 365, or 7a.m. x 7p.m. weekdays with 24 hr. on call support) and Service Level (Platinum or Gold), where applicable. The 20 Security Monitoring and Device Management Service areas are:

- (i) Endpoint Device Services - measured as the aggregate number of Customer owned Endpoint Devices remotely managed with a price per Device inclusive of all remote setup activities.
- (ii) Intrusion Detection Systems (IDS)/ Intrusion Prevention Systems (IPS) Services/ – measured as the aggregate number of IDS/IPS devices remotely managed, with a price per device.
- (iii) IDS/IPS (Customer HW/SW) – measured as the aggregate number of customer owned 10 Gbps or greater IDS/IPS devices managed remotely, with a price per device.
- (iv) SOC Monitoring and Alerting Requirements (7am – 7pm) - measured as the number of Customer Sites receiving onsite SOC Monitoring and Alerting Services staffed with three Security Analysts and one Site Lead.
- (v) SOC Monitoring and Alerting Requirements (5am – 9pm) - measured as the number of Customer Sites receiving onsite SOC Monitoring and Alerting Services staffed with five Security Analysts and one Security Analyst as Site Lead.

- (vi) SOC Monitoring and Alerting Requirements (24x7) – measured as the number of Customer Sites receiving onsite and remote SOC Monitoring and Alerting Services, including program and device management, vulnerability scanning, and SOC 24x7 active monitoring.

Customer is eligible for an 8% monthly recurring discount if a minimum commitment is agreed to by the Parties in the Request for Service, co-terminus with the contract term of this Agreement, through August 31, 2021. Should DIR exercise any renewals or extensions to this agreement, Customer may be eligible to continue the 8% monthly recurring discount if an additional 12 months commitment is made prospectively. If a 12-month commitment is not made, and Customer requests services to continue, the monthly recurring resource unit will be billed without the discount, at 100% of the resource unit price.

- (vii) Malware Detection System (MDS)/Malware Prevention System (MPS) (Customer HW/SW) – measured as the aggregate number of MDS/MPS devices managed remotely and providing a Customer owned network based malware detection system or (MDS), with a price per MDS/MPS.
- (viii) IDS/IPS Setup – measured as the number of IDS/IPS devices installed, connected, and configured, with a price per installation inclusive of travel. High Availability(HA) Pair = 1 device.
- (ix) Managed Host Intrusion Prevention – measured as aggregate number of logical hosts managed remotely, with a price per logical host.
- (x) Managed Host Intrusion Prevention Setup – measured as the number of unique configurations inclusive of tuning and testing. For clarity, multiple web server installations leveraging the same configuration, would be counted as one setup Charge.
- (xi) Managed Firewall – measured as aggregate number of firewalls managed remotely, with a price per firewall.
- (xii) Managed Firewall Setup – measured as the number of firewalls configured. High Availability(HA) Pair = 1 device.
- (xiii) Managed Web Application Firewall – measured as aggregate number of web application firewalls managed remotely, with a price per web application firewall.
- (xiv) Managed Web Application Firewall Setup – measured as the number of WAFs configured. High Availability(HA) Pair = 1 device.

- (xv) Disaster Recovery Testing (Optional) – measured as the number of Devices, logical hosts, firewalls, web application firewalls full or table top tests completed, with a price per test per Customer.
- (xvi) Security Information Event Management (SIEM) - measured as aggregate number of IPS, Web Proxy, logical hosts, firewalls, web application firewalls, with a price per device.
- (xvii) Remote Targeted Threat Research - measured as a monthly rate based on the duration per Customer.
- (xviii) Customer Site Device Management Rate Card- The Service Component Provider will propose the Charges for Customer Site Device Management and Security Monitoring onsite support upon request from Customers per **Attachment 25-B**, Form of Service Proposal and based on the Device Management and Security Monitoring Support Rate Card in **Attachment 4-A**.

(1) **Customer Site Device Management Rate Card Resources**

Customers may, at their sole discretion, request Rate Card Resources be delivered utilizing the **Attachment 4-A** Customer Site Device Management Rate Card Resource rates, inclusive of all travel expenses, and the labor categories and skill sets as required to provide onsite Device Management Services that are priced as an hourly or monthly fee under the following basis:

Rate Card Resources are billable by Monthly Productive Hours Worked, based on the following guidelines:

- a. For each Rate Card Resource that performs Monthly Productive Hours Worked in a given month, Service Component Provider will invoice Customers at the applicable rate in **Attachment 4-A**. Rate Card Resource overtime hours will not be calculated as time and a half of the applicable rate.
- b. Service Component Provider shall not invoice Customers in any given month for more than the maximum number of Monthly Productive Hours Worked per Service Component Provider employee which will be calculated by multiplying the number of Business Days in the month x 8 hours.
- c. Service Component Provider shall not invoice Customers for Rate Card Resource overtime, unless agreed to in advance, in writing and on an exception basis by the Customer.

- d. Customers **shall not** incur any Rate Card Charges for the following activities:
 - i. Services performed by Service Component Provider Personnel that have not been approved, in advance, by Customers per established approval processes and documented in the SMM.
 - ii. Services performed by Personnel providing non-Rate Card Services such as Services described in **Exhibit 2.1.2**, Cross Functional Service SOW, **Exhibit 3**, Service Levels, and this **Exhibit 4** including invoicing and Chargeback, forecasting and trending;
 - iii. Nonproductive time (whether or not conducted on Customers' Sites), such as holidays, vacation time, sick leave, time spent consuming meals, or other personal time;
 - iv. Time used for education, training, mentoring, travel, administrative or management (for example: Service Component Provider internal meetings, internal reporting, process implementation work, time and expense accounting, performance reviews, knowledge transfer, etc.);

(2) **Customer Site Device Management Rate Card Resource Management**

- a. Service Component Provider shall utilize and manage the Rate Card Resources used to perform Services efficiently and according to the Service Levels. Customers shall approve in advance the nature and extent of Rate Card Resources to be provided by Respondent, and the level of effort to be expended in connection therewith, and may, in its reasonable discretion, increase or decrease such Services and/or effort on a monthly basis.
 - i. **Rate Card Resources Charge Cessation.** Customers shall not pay for any Rate Card Resources hours that extend beyond those permitted by the notification periods or the scheduled expiration. In the event that Service Component Provider redeploys Rate Card Resources prior to the required redeployment date, Service Component

Provider's Charges shall cease on the date the Rate Card Resources are redeployed.

ii. **Rate Card Resource Cancellation.** Customers may change or cancel any Rate Card Resources addition or reduction notification, without incurring any penalty or Charge to the extent such notice is received by Service Component Provider prior to Rate Card Resources addition or redeployment.

b. **Resources Reporting.** For Rate Card Resources, Service Component Provider shall, on no less frequently than a monthly basis, measure, track and report Monthly Productive Hours Worked by Rate Card Resource, by Service Proposal, by activity based on DIR and Customers' project tracking processes;

c. **Resource On-Boarding.** For the purposes of successful Service Component Provider Personnel education, familiarization and productive utilization into the Customers environment, shall invest in the training of each resource placed into service on the Customer's account.

(xix) **Hardware Service Charge (HSC)**

If requested by the Customer, the Charges shall include a Hardware Service Charge (HSC) to compensate Service Component Provider for security hardware purchases for Customers' dedicated use. The HSC shall be calculated based on the Capital Expenditure, hardware maintenance, and operating software costs, if applicable that are paid by Service Component Provider. The HSC shall be invoiced to Customers as a one-time charge or based on the prorated monthly Capital Expenditures made for security hardware, either new or refresh, required by Service Component Provider following the Effective Date. Service Component Provider will use commercially reasonable efforts to obtain the lowest possible discounted prices for security hardware and related equipment for the benefit of Customers, including utilization of DIR purchase arrangements in accordance with the Agreement. Notwithstanding anything to the contrary herein, (a) Customers shall have the option of procuring security hardware directly from Third Parties and Service Component Provider shall perform the Services with such security hardware without charging any HSC, subject to the Operational Change Control Procedures ensuring such security hardware is of the same character and functionality as then-utilized by Service Component Provider, and are covered by appropriate full parts, warranty and maintenance coverage for the full refresh term documented in **Attachment 4-B**;

and (b) Customer shall have the option of procuring security hardware directly from Service Component Provider under this Agreement only to the extent Customer obtains Service Component Provider's support of such security hardware pursuant to the terms of this Agreement except to the extent otherwise mutually agreed. For purposes of this Section, the following terms shall have the following meanings:

- (1) **"Capital Expenditures"** means the amounts paid by Service Component Provider and approved in advance by Customer for security hardware acquired or leased by Service Component Provider after the Effective Date for dedicated use by DIR or, any Customer(s), including all associated peripheral equipment, applicable sales and use taxes, freight and, only for new security hardware (and not security hardware upgrades or refreshes), installation charges. For HSC purposes, security hardware lease payment streams that are procured by Service Component Provider after the Effective Date for dedicated use by any Customer(s) shall be converted to a single Capital Expenditure by taking the net present value of such lease payments, using the then-current value of "s" defined for the calculation below as the applicable service charge rate.
- (2) **"Maintenance Costs"** means the amounts paid by Service Component Provider and approved in advance by Customer for the provision of maintenance support services in respect of security hardware and peripheral equipment used in connection with such security hardware acquired by Service Component Provider after the Effective Date.

The HSC payable by Customer shall be calculated each month following the Commencement Date, and shall be prorated over the applicable refresh term beginning in the month following the month during which the security hardware was installed and available for Customer use in accordance with the Service Management Manual. Maintenance Costs shall be included in the calculation beginning in the month following the month in which the applicable security hardware was installed and available for Customer use in accordance with the Service Management Manual; provided, however, that where Service Component Provider pre-pays for a benefit that will be received over a period of time (e.g. pre-paid maintenance services), such amount shall be included in the calculation on a prorated basis over such time period, but in no event greater than a twelve month period of time (e.g. if Service Component Provider pays \$120 in January for annual maintenance agreement, Service Component Provider will spread such cost over 12 months). No Capital Expenditures or Maintenance Costs shall be included in the calculation (a) that is not installed, (b) that remains installed following the end of its applicable refresh term (except as expressly provided in this Section below) or (c) that is

not dedicated to use by Customer except to the extent otherwise agreed, subject to DIR's responsibility to pay cancellation fees as set forth below.

HSC Calculation:

The monthly HSC charge for each security hardware in each month (HSC) will equal the following:

$$\text{Monthly HSC} = (P * [(s/12*(1+s/12)^n)/((1+(s/12))^n-1)] + [(xx/12) * 0.5P] + M)$$

Where:

- Monthly HSC = the monthly Hardware Service Charge
- P = the prorated monthly amount of actual Capital Expenditures. Service Component Provider will use commercially reasonable efforts to obtain the lowest possible commercially available discounted prices for the Capital Expenditures, including through DIR's contracts as set forth in the Agreement
- M = the total amount of Maintenance Costs that were paid during the applicable month, to the extent required beyond the warranty period
- n = equals the finance term
- s = equals the service charge rate for the term;
- XX = the then-applicable personal property tax at time of purchase

Copies of relevant Third Party invoices and such other information reasonably requested by DIR or Customer will also be included with the Monthly Invoice. Service Component Provider shall obtain Customer's approval prior to incurring any Capital Expenditures (including the Capital Expenditure amounts for leased security hardware) or Maintenance Costs. If Service Component Provider does not obtain Customer's prior approval in respect of any Capital Expenditures or Maintenance Costs, then such costs shall not be included in the HSC and Service Component Provider shall be responsible for such costs.

If Customer requests Service Component Provider to remove security hardware prior to the end of its applicable refresh term, Service Component Provider shall use commercially reasonable efforts to re-deploy such security in any environment, including in Service Component Provider's environment (internally or in support of other customers). Any remaining HSC shall continue until the earlier of (a) such time as Service Component Provider is able to re-deploy such security hardware or (b) end of the refresh term, using a discount rate equal to the applicable service charge rate as included in the HSC calculation, provided that Service Component Provider continues to use commercially reasonable efforts to re-

deploy such security hardware as set forth above, or (c) in the event such security hardware is no longer being used because of a termination of this Agreement, at such time that Customer is no longer using the security hardware for receipt of Services, in which case Customer shall purchase the security hardware as set forth in (b) hereof. With respect to any security hardware that Customers elects, in Customer's sole discretion, to keep installed following the end of its applicable refresh term, only the personal property taxes actually paid by Service Component Provider in respect of such security hardware (and not any other Capital Expenditures) and any ongoing Maintenance Costs paid by Service Component Provider shall continue to be included in the HSC until security hardware is refreshed or removed.

If Customer cancels an order for previously approved HSC security hardware, and such hardware cannot be returned to the Third Party, Service Provider shall assist Customer with the redeployment, as appropriate, within either Customer or Service Provider (internally or for its other customers), as set forth above. In the event, such security hardware cannot be returned or redeployed, Customer shall be responsible for any commercially reasonable restocking fees or other charges resulting from the cancellation request (i.e. freight).

- (xx) **Software Service Charge (SSC)**
If requested by the Customer, the Charges shall include dedicated security software and security software maintenance procured by the Service Provider pursuant to the Software Charge methodology below and for use on security hardware utilized by Service Provider in the provision of the Services. SSC shall be based on the security software expenditures paid or incurred by Service Component Provider. Service Component Provider will use commercially reasonable efforts to obtain the lowest possible discounted prices for such security software for the benefit of Customer, including utilization of DIR purchase arrangements in accordance with the Agreement. Notwithstanding anything to the contrary herein, (a) Customer shall have the option of procuring such security software directly from Third Parties; (b) Customer shall have the option to pay upon delivery for such security software or maintenance on a one time basis at cost with no markup; and (c) Customer shall have the option of procuring such security software directly from Service Component Provider under this Agreement only to the extent Customer obtains Service Component Provider's support of such security software pursuant to the terms of this Agreement (except to the extent otherwise mutually agreed).
- (xxi) **Truck Roll (DASH) –** measured as the number of days a Technician provides hardware installations, or physical hardware or connectivity checks at a Customer Site in a DASH location.

- (xxii) Truck Roll (Non-DASH) – measured as the number of days a Technician provides hardware installations, or physical hardware or connectivity checks at a Customer Site in a Non-DASH location.

15.2 Incident Response

The following Resource Units shall fully compensate Service Component Provider for the performance of Incident Response as described in **Exhibit 2.8.2 – Statement of Work** including the deployment of any forensic tools necessary to perform Incident Response Services. These Services will be delivered by Rate Card Resources as described below. The Service Component Provider will propose the Charges for these Services upon request from Customers per **Attachment 25-B**, Form of Service Proposal. There are six (6) distinct Resource Unit Categories based on the Service location (Onsite or Remote). The three (3) Incident Response Service Areas are:

- (i) Security Incident Management.
- (ii) Digital Forensics.
- (iii) Response Preparedness.

(1) **Rate Card Resources**

Customers may, at their sole discretion, request Rate Card Resources be delivered utilizing the **Attachment 4-A** Rate Card Resource rates, inclusive of all travel expenses, and the labor categories and skill sets as required to provide Incident Response Services that are priced as an hourly fee under the following basis:

Rate Card Resources are billable by Monthly Productive Hours Worked, based on the following guidelines:

- a. For each Rate Card Resource that performs Monthly Productive Hours Worked in a given month, Service Component Provider will invoice Customers at the applicable rate in **Attachment 4-A**, Service Component Provider Pricing Forms (MSS). Rate Card Resource overtime hours will not be calculated as time and a half of the applicable rate.
- b. Service Component Provider shall not invoice Customers in any given month for more than the maximum number of Monthly Productive Hours Worked per Service Component Provider employee which will be calculated by multiplying the number of Business Days in the month x 8 hours.

- c. Service Component Provider shall not invoice Customers for Rate Card Resource overtime, unless agreed to in advance, in writing and on an exception basis by the Customer.
- d. Customers **shall not** incur any Rate Card Charges for the following activities:
 - i. Services performed by Service Component Provider Personnel that have not been approved, in advance, by Customers per established approval processes and documented in the SMM.
 - ii. Services performed by Personnel providing non-Rate Card Services such as Services described in **Exhibit 2.1.2**, Cross Functional Service SOW, **Exhibit 3**, Service Levels, and this **Exhibit 4** including invoicing and Chargeback, forecasting and trending;
 - iii. Nonproductive time (whether or not conducted on Customers' Sites), such as holidays, vacation time, sick leave, time spent consuming meals, or other personal time;
 - iv. Time used for education, training, mentoring, travel, administrative or management (for example: Service Component Provider internal meetings, internal reporting, process implementation work, time and expense accounting, performance reviews, knowledge transfer, etc.);

(2) **Rate Card Resource Management**

- a. Service Component Provider shall utilize and manage the Rate Card Resources used to perform Services efficiently and according to the Service Levels. Customers shall approve in advance the nature and extent of Rate Card Resources to be provided by Service Component Provider, and the level of effort to be expended in connection therewith, and may, in its reasonable discretion, increase or decrease such Services and/or effort on a monthly basis.
 - i. **Rate Card Resources Charge Cessation.** Customers shall not pay for any Rate Card Resources hours that extend beyond those permitted by the notification periods or the scheduled expiration. In the event that

Service Component Provider redeploys Rate Card Resources prior to the required redeployment date, Service Component Provider's Charges shall cease on the date the Rate Card Resources are redeployed.

- ii. **Rate Card Resource Cancellation.** Customers may change or cancel any Rate Card Resources addition or reduction notification, without incurring any penalty or Charge to the extent such notice is received by Service Component Provider prior to Rate Card Resources addition or redeployment.
- b. **Resources Reporting.** For Rate Card Resources, Service Component Provider shall, on no less frequently than a monthly basis, measure, track and report Monthly Productive Hours Worked by Rate Card Resource, by Service Proposal, by activity based on DIR and Customers' project tracking processes;
- c. **Resource On-Boarding.** For the purposes of Service Component Provider Personnel education, familiarization and productive utilization into the Customers environment, Service Component Provider shall invest in the training of each resource placed into service on the Customer's account.

15.3 Risk and Compliance

The following Resource Units shall fully compensate Service Component Provider for the performance of Risk and Compliance Services as described in **Exhibit 2.8.3- Statement of Work**. These Services include, but are not limited to, Service Component Provider Personnel, Tools, Equipment and Software as applicable. There are 27 distinct Resource Unit Categories. The Service Component Provider will propose the Charges for these Services upon request from Customers per **Attachment 25-B**, Form of Service Proposal. The eight (8) Risk and Compliance Service Areas are:

- (i) Penetration Testing - measured as the number of External or Internal Black Box or White Box tests per Customer with a price per engagement size based on the number of live IPs and inclusive of a Web Application Vulnerability Scan for up to 10 web applications with the Penetration Testing report being delivered no later than two weeks after testing completion.
- (ii) Texas Cybersecurity Framework Assessment - measured as the number of assessments per Customer based on the Texas Cyber Security Framework, with a price per assessment.

- (iii) Election Security Assessment - measured as the number of assessments per Customer with a price per assessment which is based on the number of registered voters

- (iv) Security Risk Assessment Rate Card - The Service Component Provider will propose the Charges for Security Risk Assessment based standards other than the Texas Cybersecurity Framework, such as PCI, HIPAA, FISMA, etc. upon request from Customers per Attachment 25-B, Form of Service Proposal and based on the Security Risk Assessment Rate Card in Attachment 4-A.

(1) **Security Risk Assessment Rate Card Resources**

Customers may, at their sole discretion, request Rate Card Resources be delivered utilizing the Attachment 4-A Security Risk Assessment Rate Card Resource rates, inclusive of all travel expenses, and the labor categories and skill sets as required to provide Security Risk Assessment Services that are priced as an hourly fee under the following basis:

- a. Rate Card Resources are billable by Monthly Productive Hours Worked, based on the following guidelines:
 - i. For each Rate Card Resource that performs Monthly Productive Hours Worked in a given month, Service Component Provider will invoice Customers at the applicable rate in Attachment 4-A, Service Component Provider Pricing Forms (MSS). Rate Card Resource overtime hours will not be calculated as time and a half of the applicable rate.
 - ii. Service Component Provider shall not invoice Customers in any given month for more than the maximum number of Monthly Productive Hours Worked per Service Component Provider employee which will be calculated by multiplying the number of Business Days in the month x 8 hours.
 - iii. Service Component Provider shall not invoice Customers for Rate Card Resource overtime, unless agreed to in advance, in writing and on an exception basis by the Customer.

- b. Customers **shall not** incur any Rate Card Charges for the following activities:

- i. Services performed by Service Component Provider Personnel that have not been approved, in advance, by Customers per established approval processes and documented in the SMM.
- ii. Services performed by Personnel providing non-Rate Card Services such as Services described in **Exhibit 2.1.2**, Cross Functional Service SOW, **Exhibit 3**, Service Levels, and this **Exhibit 4** including invoicing and Chargeback, forecasting and trending;
- iii. Nonproductive time (whether or not conducted on Customers' Sites), such as holidays, vacation time, sick leave, time spent consuming meals, or other personal time;
- iv. Time used for education, training, mentoring, travel, administrative or management (for example: Service Component Provider internal meetings, internal reporting, process implementation work, time and expense accounting, performance reviews, knowledge transfer, etc.);

(2) **Security Risk Assessment Rate Card Resource Management**

Service Component Provider shall utilize and manage the Rate Card Resources used to perform Services efficiently and according to the Service Levels. Customers shall approve in advance the nature and extent of Rate Card Resources to be provided by Service Component Provider, and the level of effort to be expended in connection therewith, and may, in its reasonable discretion, increase or decrease such Services and/or effort on a monthly basis.

- a. **Rate Card Resources Charge Cessation.** Customers shall not pay for any Rate Card Resources hours that extend beyond those permitted by the notification periods or the scheduled expiration. In the event that Service Component Provider redeploys Rate Card Resources prior to the required redeployment date, Service Component Provider's Charges shall cease on the date the Rate Card Resources are redeployed.
- b. **Rate Card Resource Cancellation.** Customers may change or cancel any Rate Card Resources addition or reduction notification, without incurring any penalty or Charge to the extent such notice is

received by Service Component Provider prior to Rate Card Resources addition or redeployment.

- c. **Resources Reporting.** For Rate Card Resources, Service Component Provider shall, on no less frequently than a monthly basis, measure, track and report Monthly Productive Hours Worked by Rate Card Resource, by Service Proposal, by activity based on DIR and Customers' project tracking processes;
 - d. **Resource On-Boarding.** For the purposes of Service Component Provider Personnel education, familiarization and productive utilization into the Customers environment, Service Component Provider shall invest in the training of each resource placed into service on the Customer's account.
- (v) Cloud Compliance – measured as the number of cloud vendor assessments per Customer, with a price per cloud vendor assessment.
- (vi) Vulnerability Scanning – measured as the number of Internal or External scans per Customer with a price per engagement size based on the number of live IPs either as a 12-month minimum commitment or a one-time scan. This is fully managed service that includes scheduling and reporting to the Customer. For Customers obtaining the 12-month minimum term, the Customer will also have access to the portal where the Customer can run additional scans at any time or the Customer can request AT&T to schedule those scans.
- (1) **Vulnerability Scanning – Internal Base Hardware/Software Subscription**
Internal scans require a 12-month minimum dedicated or VM Ware hardware/software subscription per site or the customer may choose to procurement required hardware and/or software as a Hardware Service Charge or Software Service Charge.
- (vii) Web Application Vulnerability Scanning – measured as the number of web applications scanned per Customer, with a price per web application either as a 12-month minimum commitment or a one-time scan. This is fully managed service that includes scheduling and reporting to the Customer. For Customers obtaining the 12-month minimum term, the Customer will also have access to the portal where the Customer can run additional scans at any time or the Customer can request AT&T to schedule those scans.

For the purposes of counting monthly resource unit volumes, a web application is defined as the functionality reachable or accessible via a single URL entry point – either a domain (e.g., website.com) or sub-domain (e.g., app.website.com or website.com/app).

- (viii) Web or Mobile Application Penetration Test – measured as the aggregate number of web or mobile applications scanned, with a price per web application.

For the purposes of counting monthly resource unit volumes, a web/mobile application is defined as the functionality reachable or accessible via a single URL entry point – either a domain (e.g., website.com) or sub-domain (e.g., app.website.com or website.com/app).

- (ix) DIR Cybersecurity Portal (Local Government Entities (LGE)) – price based on Customer’s self-reported Full Time Equivalents billed annually as a One Time Charge in the month when the Service is first accepted.

Pricing will be reviewed 60 days before the expiration of DIR’s contract with third-party and any proposed pricing changes will be applied prospectively to Customer renewals or new Customer proposals.

The RU for DIR Cybersecurity Portal (LGE) is associated with the work described in Exhibit 2.8.3 SOW Risk and Compliance, Section 3.1.6 DIR’s Statewide Portal for Enterprise Cybersecurity Threat, Risk and Incident Management (SPECTRIM) system for local government entities.

16. Disaster Recovery

In the event of a disaster, Customers will continue to pay the Service Component Provider an amount equal to the last Monthly Invoice amount, less any one-time Charges, for recurring Services until the Services are fully restored and normal Monthly Invoice volume collection can resume. The Service Component Provider may also submit a Disaster Recovery declaration fee to DIR for review and approval to include incremental labor and supplemental hardware costs, outside of insurance costs, to replace equipment as per **Exhibit 24**, Insurance and Risk of Loss, necessary to restore normal operations. During the disaster, the Service Component Provider shall continue to be liable for providing all Services, including preparing and submitting deliverables, unless DIR agrees in writing.

17. Attachments

The following Attachments are hereby incorporated into and deemed part of this **Exhibit 4**, and all references in the Agreement to this **Exhibit 4** shall be read and understood to include the following Attachments:

- (i) **Attachment 4-A**, Service Component Provider Pricing Forms (MSS):
The Service Component Provider will use this Attachment to submit pricing. DIR requires Service Component Provider to submit four (4) years pricing with an option to extend annually up to four (4) additional years;
- (ii) **Attachment 4-B**, Financial Responsibility Matrix:
This matrix describes DIR and the Service Component Provider financial responsibility for Personnel, Equipment, Network Transport, Software, Facilities and Cross-Functional associated with the Services;
- (iii) **Attachment 4-C**, intentionally left blank:
- (iv) **Attachment 4-D**, Resource Baselines:
The Service Component Provider will review this Attachment to determine committed volumes and Customers at Commencement;
- (v) **Attachment 4-E**, intentionally left blank
- (vi) **Attachment 4-F**, Form of Invoice:
This Attachment is a sample Form of Invoice