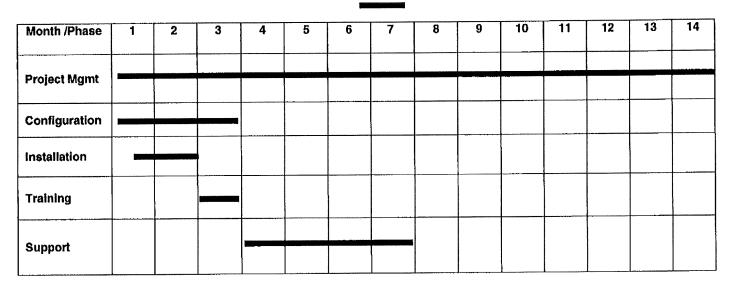| Service Dates	Invoice Date	Contract Payment Amount		Total Potential Recoupments (A)		Potential IBM Related Recoupments (B)		Actual IBM Related Recoupments
First IBM Contract		(A * 10%)						
Jul-10	8/6/2010	$	170,241	$	1,702,414	$	105,269	$ 90,248
Aug-10	9/9/2010		255,778		2,557,785		66,386	58,898
Sep-10	10/12/2010		1,163,007		11,630,071			
Oct-10	11/10/2010		133,040		1,330,409		8,541	8,541
Nov-10	12/8/2010		1,946,652		25,286,120			
Nov-10	12/8/2010		531,960					
Nov-10	12/8/2010		50,000					
Dec-10	1/24/2011		175,609		1,756,098		111,177	111,177
Jan-11	2/16/2011		146,143		1,461,430			
Feb-11	3/14/2011		264,900		2,649,003			
Mar-11	4/4/2011		112,887		1,128,873		1,587	1,587
Apr-11	5/10/2011		395,860		3,958,601			
May-11	6/8/2011		653,919		12,840,038			
Total First IBM Contract		$	5,999,996	*				
Second IBM Contract								
Oct-11	11/29/2011	$	138,500				406,703	85,901
Nov-11	11/29/2011		138,500					
Dec-11	12/29/2011		138,500				67,979	67,979
Jan-12	1/23/2012		138,500				2,425	2,425
Total Second IBM Contract		$	554,000					
Totals		$	6,553,996	$	66,300,842	$	770,067	$ 426,756

2.8 Estimated Schedule

The Services in this SOW are estimated to be performed in a period of up to fourteen (14) months from the agreed upon estimated start date. Phase 1 FAMS Implementation will begin in month 1. Phase 2 InfoSphere Implementation will begin no later than month 7.

Phase 1: FAMS Implementation

FAMS

Month /Phase	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Project Mgmt	▬	▬	▬	▬	▬	▬	▬	▬	▬	▬	▬	▬	▬	▬
Configuration	▬	▬	▬											
Installation	▬	▬												
Training			▬											
Support				▬	▬	▬	▬							

Phase 2: IBM InfoSphere Identity Insight Implementation

IBM InfoSphere Identity Insight

Month /Phase	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Project Mgmt							▬	▬	▬	▬	▬	▬	▬	▬
Analyze							▬							
Design							▬							
Configure								▬						
Deploy									▬					
Training							▬							

2.9 Charges

a. IBM will be paid monthly in amounts equal to ten percent (10%) of the total monetary amount of the recoupment letters issued that month for those Program Areas installed, irrespective of whether DMA actually recoups the money sought. For example, if DMA issues recoupment letters in a month totaling $500,000, then IBM would be paid $50,000 for that month, irrespective of whether DMA actually recoups any portion or all of the $500,000 sought. For the purposes of ICA Section 1.10.1 and IPLA Section 4, these payments shall be characterized as recurring charges.

b. The payments will commence at the beginning of the first full month which follows the installation of FAMS and Program Areas. In other words, IBM anticipates that it will take two months to install FAMS and implement the initial Program Areas. If that is the case, month 3 would be the first month in which IBM would be paid based on the total amount of recoupment letters issued in month 3 for those Program Areas implemented, and IBM would invoice DMA for that amount during month 4.

c. IBM will be paid for 12 consecutive months after the installation of FAMS.

d. The total payments to IBM based on the percentage of recoupment letters issued for 12 months shall not exceed $6,000,000.00 without mutual agreement and modification of this Agreement, and the total payments to IBM based on the percentage of recoupment letters issued for 12 months shall not be less than $1,500,000.00. If the total payments through the twelve months are less than $1,500,000.00, then DMA's final payment to IBM at the end of the 12 months of payments will include an additional lump sum payment with the twelfth month payment to bring the total payment amount to $1,500,000.00.

>   **For example:** If the 11 month cumulative total of payments to IBM was $5,500,000 (i.e., DMA issued recoupment letters seeking $55,000,000 during those 11 months), then IBM would only be entitled to maximum final payment of $500,000 based on recoupment letters issued during month 12, even if DMA issued recoupment letters in excess of $5,000,000 during month 12. Likewise, if IBM is paid $6,000,000 during the first 11 months, IBM would not be entitled to any payment for month 12. On the other hand, if the 12 month cumulative total of payments to IBM was $1,300,000, DMA would include an additional $200,000 in the final payment to IBM, as IBM shall be paid no less than $1,500,000 based on the percentage of recoupment letters issued for 12 months after FAMS is installed.

e. Payment terms are Net thirty (30) days after receipt of a correct invoice. No payment shall be made by DMA in advance of or in anticipation of services actually performed and/or supplies furnished under this Contract. DMA is responsible for all payments under this Contract. DMA may exercise any and all rights of Set Off permitted by Chapter 105A-1, the Setoff Debt Collection Act, and applicable Administrative Rules. In the event of late payment, IBM reserves the right to suspend Services until late payments have been received.

f. DMA agrees to pay by electronic funds transfer or other means acceptable to IBM to an account specified by IBM.

g. Pursuant to Section 2.4.15 of this SOW DMA may obtain additional services for additional charges based on the rates specified in the attached Rate Card at Appendix F. The amounts paid to IBM for any such additional services shall not be included or counted towards the $1,500,000 minimum and $6,000,000 maximum payments to IBM based on the percentage of recoupment letters issued described in item 2.9.d above. Any additional services will be charged in accordance with a Project Change Request as indicated in Appendix B-1 Project Change Control Procedure. For the purposes of ICA Section 1.10.1 and IPLA Section 4, the charges for such additional services shall be one-time charges.

h. DMA shall not reimburse IBM for any travel expenses associated with the tasks described in this SOW, except that DMA will reimburse IBM for any travel expenses authorized in a Change Authorization executed pursuant to Section B-1 of Appendix B. Such reimbursement shall not exceed the rates established for State employees by the State Budget Director. These rates are published in the State Budget Manual, which can be viewed online at: http://www.osbm.state.nc.us/ International travel shall not be reimbursed.

2.10   Additional Terms and Conditions

2.10.1 Termination Without Cause

a. Either party may terminate this SOW without cause by giving the other party not less than 30 days written notice, which shall specify the effective date of the termination.

b. In the event of such termination by either party, DMA will destroy all copies of FAMS and InfoSphere on or before the specified termination date.

c.   The parties believe that three months will elapse, on average, between the date on which DMA obtains fraud and abuse data from FAMS or InfoSphere and the month on which DMA issues recoupment letters on the basis of that data. In the event of termination without cause by either party, the provisions of SOW Section 2.9 shall survive the termination of this SOW until DMA has fully paid IBM for DMA's use of the fraud and abuse data obtained from FAMS or InfoSphere. Since it is impractical for either party to track the details of each recoupment letter, IBM shall be entitled to invoice for up to three months after the specified month of termination.

d.   If DMA terminates the SOW without cause, DMA will pay IBM for all invoices submitted pursuant to SOW Section 2.9 and Section 2.10.1 (c) provided the sum of all payments shall be the greater of (i) $1.5M or (ii) the sum of all payments made by DMA to IBM.

e.   If IBM terminates the SOW without cause, DMA shall pay IBM only those amounts due under SOW Section 2.9 and 2.10.1 (c).

2.10.2   Business Contact Information

DMA authorizes IBM and its subsidiaries and subcontractors (and their successors and assigns) to store and use DMA business contact information (DMA employees' names, business phone numbers, and business e-mail addresses) wherever they do business, solely for the purpose of facilitating their performance under this SOW.

2.10.3   No Representations or Warranties

IBM MAKES NO REPRESENTATIONS OR WARRANTIES with respect to the Services except as expressly set forth in the Agreement. IBM does not represent or warrant that it's Services, or any deliverables provided as part of the IBM Services, will guarantee any particular result, including, without limitation, that the Services will identify all cases of fraud or reduce expenditures of DMA based on fraudulent claims.

2.10.4   No Third Party Beneficiaries

The parties agree that this SOW will not create any right or cause of action for any third party.

2.10.5   Required Consents

DMA is responsible for promptly obtaining and providing to IBM all Required Consents necessary for IBM to provide the Services described in this SOW. A Required Consent means any consents or approvals required to give IBM and its subcontractors the right or license to access, use and/or modify (including creating derivative works) the hardware, software, firmware and other products DMA uses, without infringing the ownership or license rights (including patent and copyright) of the providers or owners of such products.

DMA will be responsible for any and all claims, losses, liabilities and damages arising from or in connection with any claims (including patent and copyright infringement) made against IBM, alleged to have occurred as a result of DMA's failure to provide any Required Consents to IBM.

IBM will be relieved of the performance of any obligations that may be affected by DMA's failure to promptly provide any Required Consents to IBM.

2.10.6   Regulatory Services

IBM does not operate as a provider of services regulated by the Federal Communications Commission (FCC) or state regulatory authorities (State Regulators), and does not intend to provide any services which are regulated by the FCC or State Regulators. If the FCC or any State Regulator imposes regulatory requirements or obligations on any services provided by IBM hereunder, IBM may change the way in which such services are provided to DMA to avoid the application of such requirements or obligations to IBM (e.g., by acting as DMA's agent for acquiring such services from a third party common carrier), provided that IBM obtains NCDHHS DMA's prior written consent to such change. NCDHHS DMA shall not unreasonably withhold its consent.

2.10.7   Open Source Software

IBM may use open source software in connection with the software application Services provided under this SOW. Open source software is licensed and distributed to DMA by the open source software distributors and/or respective copyright and other right holders ("Right Holders") under the Right Holders' terms and conditions. IBM is neither a party to the Right Holders' license nor a distributor of the open