

SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is entered into among: (1) the United States of America, acting through the United States Department of Justice and on behalf of the General Services Administration (GSA) (collectively, the United States); and (2) Verizon Business Network Services LLC (Verizon), through their authorized representatives. Collectively, all of the above will be referred to as the Parties.

RECITALS

A. Verizon is a Delaware limited liability company with its primary address in Basking Ridge, New Jersey. Verizon received GSA Contract Nos. GS00T07NSD0008, GS00T07NSD0038, and GS00Q17NSD3009 (collectively, the GSA Contracts) to provide various telecommunications services, including Managed Trusted Internet Protocol Service (MTIPS), to federal agencies. MTIPS is designed to provide federal agencies with a secure means to physically and logically connect to the public internet or other external connections in compliance with the Office of Management and Budget's Trusted Internet Connections (TIC) initiative. Because of the nature of the service, the GSA Contracts required compliance with all Critical Capabilities specified in the applicable version of the Department of Homeland Security's TIC Reference Architecture Document.

B. Pursuant to Federal Acquisition Regulation (FAR) 52.203-13, 3.1003(a)(2)-(3), 9.406-2(b)(1)(vi) and 9.407-2(a)(8) and 31 U.S.C. § 3729(a)(2), Verizon provided GSA's Office of Inspector General (GSA-OIG) with a written self-disclosure of potential issues with the implementation and maintenance of certain security controls for Verizon's MTIPS solution. Verizon initiated an independent investigation and compliance review of those issues and provided GSA-OIG with multiple detailed and thorough supplemental written self-disclosures.

C. Verizon cooperated with the Government's investigation of the issues in several respects, including but not limited to, identifying individuals involved in or responsible for the issues; preserving, collecting, and disclosing relevant documents and information relating to the issues; disclosing facts gathered during its independent investigation, with attribution of the facts to specific sources; providing regular updates on its independent investigation, including rolling disclosures of relevant information; and assisting in the determination and recovery of the losses caused by the issues.

D. After identifying the issues, Verizon promptly took steps to develop and implement significant mechanisms to remediate the issues, including but not limited to, extensively analyzing the causes of the issues; implementing compensatory security controls for its MTIPS solution; conducting a line-by-line review of its MTIPS system security plan (SSP) and updating both the SSP and internal documentation, procedures, and guides; implementing a compliance program to avoid a reoccurrence of similar issues and conduct; establishing a Compliance Center of Excellence to maintain and improve its cybersecurity compliance framework; making substantial capital investments in its governance, risk, and compliance platforms to deliver an automated compliance process across MTIPS and other Government boundaries; and disciplining or replacing those employees Verizon identified as responsible for the issues, including separating a manager who had supervisory authority over the area where the issues occurred.

E. Verizon received credit under the United States Department of Justice's guidelines for taking disclosure, cooperation, and remediation into account in False Claims Act cases, Justice Manual § 4-4.112.

F. The United States contends that it has certain civil claims against Verizon arising from Verizon's failure during the period of October 1, 2017 to August 31, 2021 to completely

satisfy for its MTIPS solution the following three TIC 2.2 critical controls required by the GSA Contracts: (1) DNS Security Extension (DNSSEC) (TIC 2.2 architecture critical requirement TS.CF.13); (2) performing real-time header and content capture of all inbound and outbound traffic with the storage capacity to retain at least 24 hours of data generated at full TIC operating capacity (Full Packet Capture) (TIC 2.2 architecture critical requirement TM.DS.01); and (3) certain encryption requirements to Federal Information Processing Standards (FIPS) 140-2 standards (Customer Edge) (TIC 2.2 architecture critical requirement TS.RA.01). This Paragraph is referred to below as the Covered Conduct.

G. This Settlement Agreement is neither an admission of liability by Verizon nor a concession by the United States that its claims are not well founded.

In consideration of the mutual promises and obligations of this Agreement, the Parties agree and covenant as follows:

TERMS AND CONDITIONS

1. Verizon shall pay to the United States Four Million Ninety-One Thousand Three Hundred Seventeen Dollars (\$4,091,317.00) (Settlement Amount), of which Two Million Seven Hundred Twenty-Seven Thousand Five Hundred Forty-Five Dollars (\$2,727,545.00) is restitution, plus interest on the Settlement Amount at a rate of five and one-quarter percent (5.25%) per annum from July 17, 2023 and continuing until and including the day of payment, no later than thirty (30) calendar days after the Effective Date by electronic funds transfer pursuant to written instructions to be provided by the Civil Division of the United States Department of Justice.

2. Subject to the exceptions in Paragraph 3 (concerning reserved claims) below, and conditioned upon the United States' receipt of the Settlement Amount, plus interest due under Paragraph 1 above, the United States releases Verizon, together with its current and former parent

corporations, direct and indirect subsidiaries, brother or sister corporations, divisions, current or former corporate owners, and the corporate successors and assigns of any of them, from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729–3733, the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801–3812, the Contract Disputes Act, 41 U.S.C. §§ 7101–7109, or the common law theories of breach of contract, payment by mistake, unjust enrichment, and/or fraud.

3. Notwithstanding the release given in Paragraph 2 of this Agreement, or any other term of this Agreement, the following claims and rights of the United States are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
- b. Any criminal liability;
- c. Except as explicitly stated in this Agreement, any administrative liability or enforcement right, or any administrative remedy, including the suspension and debarment rights of any federal agency;
- d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;
- e. Any liability based upon obligations created by this Agreement;
- f. Any liability of individuals;
- g. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct.

4. Verizon waives and shall not assert any defenses Verizon may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the

Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action.

5. Verizon fully and finally releases the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorneys' fees, costs, and expenses of every kind and however denominated) that Verizon has asserted, could have asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and servants, related to the Covered Conduct and the United States' investigation and prosecution thereof.

6. a. Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47) incurred by or on behalf of Verizon, and its present or former officers, directors, employees, shareholders, and agents in connection with:

- (1) the matters covered by this Agreement;
- (2) the United States' audit(s) and civil investigation(s) of the matters covered by this Agreement;
- (3) Verizon's investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil investigation(s) in connection with the matters covered by this Agreement (including attorneys' fees);
- (4) the negotiation and performance of this Agreement;
- (5) the payment Verizon makes to the United States pursuant to this Agreement,

are unallowable costs for government contracting purposes (hereinafter referred to as Unallowable Costs).

b. Future Treatment of Unallowable Costs: Unallowable Costs will be separately determined and accounted for by Verizon, and Verizon shall not charge such Unallowable Costs directly or indirectly to any contract with the United States.

c. Treatment of Unallowable Costs Previously Submitted for Payment: Within ninety (90) days of the Effective Date of this Agreement, Verizon shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by Verizon or any of its subsidiaries or affiliates from the United States. Verizon agrees that the United States, at a minimum, shall be entitled to recoup from Verizon any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted requests for payment. The United States, including the Department of Justice and/or the affected agencies, reserves its rights to audit, examine, or re-examine Verizon's books and records and to disagree with any calculations submitted by Verizon or any of its subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by Verizon, or the effect of any such Unallowable Costs on the amount of such payments.

7. Verizon agrees to cooperate fully and truthfully with the United States' investigation of individuals and entities not released in this Agreement. Upon reasonable notice, Verizon shall encourage, and agrees not to impair, the cooperation of its directors, officers, and employees, and shall use its best efforts to make available, and encourage, the cooperation of former directors, officers, and employees for interviews and testimony, consistent with the rights and privileges of such individuals. Verizon further agrees to furnish to the United States, upon request, complete and unredacted copies of all non-privileged documents, reports, memoranda of interviews, and records in its possession, custody, or control concerning any investigation of the Covered Conduct that it has undertaken, or that has been performed by another on its behalf.

8. This Agreement is intended to be for the benefit of the Parties only.
9. Each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.
10. Each Party and signatory to this Agreement represents that it freely and voluntarily enters into this Agreement without any degree of duress or compulsion.
11. This Agreement is governed by the laws of the United States. The exclusive venue for any dispute relating to this Agreement is the United States District Court for the District of Columbia. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.
12. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.
13. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.
14. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.
15. This Agreement is binding on Verizon's successors, transferees, heirs, and assigns.
16. All Parties consent to the disclosure of this Agreement, and information about this Agreement, to the public.
17. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date of this Agreement). Facsimiles of signatures and/or electronic signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

[SIGNATURE PAGE(S) FOLLOW]

THE UNITED STATES OF AMERICA

DATED: 9/5/2023

BY: 
CHRISTOPHER TERRANOVA
Senior Trial Counsel
Commercial Litigation Branch
Civil Division
United States Department of Justice

VERIZON BUSINESS NETWORK SERVICES LLC

DATED: 01-Sep-2023

BY: 
ANDREA K. SHORT
Chief Litigation Officer
Vice President & Deputy General Counsel
Verizon Communications Inc.

DATED: _____

BY: **Edwin O. Childs Jr.** Digitally signed by Edwin O. Childs Jr.
Date: 2023.09.01 14:38:36 -04'00'
EDWIN O. CHILDS, JR.
CHARLES WILLIAM MCINTYRE
McGuireWoods LLP
Counsel for Verizon Business Network Services LLC