Memorandum of Understanding

between

Elsevier

and

Regents of the University of California, a non-profit academic institution, on behalf of the California Digital Library ("University of California" or "UC")

Elsevier and the Regents of the University of California together ("the Parties")

1. Preamble
With the signing of this Memorandum of Understanding, The Regents of the University of California and Elsevier are delighted to have reached a transformative open access agreement.

Elsevier and the UC agree that the Multi-payer Model, as defined below, has potential for enabling a sustainable open access future. Both sides are committed to implementing this model and encouraging author participation and use of grant funds to support the model’s success. The following represents the mutual understanding between the Parties.

2. Scope
Elsevier and the UC, representing the 10 campuses and Lawrence Berkeley National Laboratory ("LBNL") intend to enter into an agreement (the “Agreement”) which shall provide for open access publishing by corresponding authors at all UC campuses and the LBNL in Elsevier hybrid and fully open access journals. Reading Access and Perpetual Rights are addressed in Section 3.5.

The Agreement will initially cover UC publishing in the following journals:

- All Core hybrid journals (including Society journals, unless the society has opted out)
- All Core fully open access journals (including Society journals, unless the society has opted out)
- All Cell Press and The Lancet fully open access journals
- All Cell Press established (pre 2021) hybrid journals
- All new launch and transfer journals in the above categories that are added during the term of the Agreement

Inclusion of other Cell Press and The Lancet journals is outlined separately in Section 3.3.

3. The Agreement
The contract term for the Agreement shall be 1st April 2021 through to 31st March 2025. Upon completion and signing of the Agreement, the Agreement shall merge and supersede any and all prior and contemporaneous agreements, communications, proposals, written or oral, between the Parties. For the purposes of the Agreement, each agreement year shall extend from April 1st through March 31st.

3.1 Open Access Default
Upon signing of this Memorandum of Understanding, open access will be implemented as the pre-selected option for all accepted journal articles published by UC corresponding authors effective with the
contract start date of April 1st, with CC BY as the pre-selected license choice. Authors may also choose from CC BY NC, CC BY ND, and CC BY NC ND licenses if they so choose.

Corresponding authors publishing in hybrid journals will continue to have the choice to publish their journal articles on a subscription basis and these authors will not be required to request a waiver of UC’s open access policy.

3.2 Multi-payer Model
The basis of the Agreement is a model by which UC (through its Libraries) will pay the first US$1000 of the Article Publishing Charge (“APC”) for journal articles by UC affiliated corresponding authors that are accepted for publication in hybrid and open access journals covered by the Agreement. The remainder due on each APC for publishing in journals covered by the Agreement (the “APC Remainder”), if any, will be paid either by the corresponding authors themselves (utilizing research funds available to them), or by the UC Libraries when such research funds are unavailable. This is referred to as the “Multi-payer Model.”

In the process of identifying themselves as corresponding authors affiliated with UC, authors will indicate whether they have research funds available to pay the APC Remainder or not. Elsevier will collect APC Remainders from UC authors who affirm their ability to cover this fee. If corresponding authors indicate that they are unable to pay the APC, they will be asked to supply a reason from a standard list of reason codes provided by UC, and the APC Remainder will be covered by the UC Libraries, up to the Multi-payer Maximum agreed between the Parties for that year. UC may, at its discretion, set a maximum library contribution for APC Remainders, with appropriate advance notice to Elsevier, in which case the corresponding author shall be responsible for the portion of the APC Remainder not covered by the UC Libraries.

Elsevier commits to developing its acceptance and associated workflow systems in order to implement appropriate author and payment workflows under the Multi-payer Model by April 1st, 2021. The workflow and associated messaging to authors will be developed in cooperation with UC to meet agreed-upon UC and Elsevier goals.

UC Libraries and author payments under the Multi-payer Model shall be subject to the fees and fee control mechanisms outlined in 3.4 below. All authors will have the same publishing experience under the Multi-payer Model throughout the Agreement term, regardless of the fee control mechanism applied.

3.3 Multi-payer Support for Cell Press and The Lancet
Established (pre-2021) Cell Press hybrid journals will be operationalised as part of the Multi-payer Model from year 1. Introduction of these journals in year 1 reflects the fact that these journals have always been available for open access publishing by all UC authors.

All other newly converted (post 2021) Cell Press hybrid journals, Cell Press Trends journals and The Lancet subscription journals (together, “CP/TL other journals”) will be part of the Multi-payer Model at least from year 3 onwards. UC has the option to include these journals as part of the Multi-payer Model at any point prior to year 3, should it wish to do so, with a minimum of 3 months’ notice to Elsevier.

Authors who choose to publish open access in CP/TL other journals prior to their inclusion in the Multi-payer Model shall be eligible for the APC discounts described in 3.4.1 below.
3.4 Publishing Fees and Fee Control Mechanisms

3.4.1 Article Publishing Charges (APCs)
APCs charged for article publishing under the Multi-payer Model shall be subject to the following discounts against list price throughout the term of the Agreement:

- Core hybrid journals (including Society journals): 15% APC discount
- Core fully open access journals (including Society journals): 15% APC discount
- Cell Press and The Lancet (all journals): 10% APC discount

Authors shall not be required to pay additional fees for article publication beyond the APCs established under this Agreement, except in the case of submission fees and optional value-added services. Any additional fees required by society journals will be reviewed and discussed by Elsevier and UC.

3.4.2 Multi-payer Article Base
The Multi-payer Article Base shall consist of a baseline number of articles paid for by UC via the Multi-payer Model, up to a maximum number equivalent to UC’s 2019 publishing volume. Articles published above this maximum are not considered part of the Multi-Payer Article Base, and are handled according to the article growth parameters described in 3.4.8 below.

In year 1 of the Agreement and until such time as the CP/TL other journals are added into the Multi-payer Model, the Multi-Payer Article Base shall consist of the first 4,370 articles accepted for publication under the Multi-payer Model during the course of the year. When the CP/TL other journals are added, the Multi-Payer Article Base shall be the first 4,740 articles published in that year. Should CP/TL other journals be added at any point other than April 1 of a given contract year, the Multi-Payer Article Base shall be prorated accordingly. Articles shall be counted toward the Multi-payer Article Base regardless of the business model choice of the author (i.e. whether published on an open access or subscription basis).

A reconciliation of the number of articles published as part of the Multi-payer Article base for each year of the Agreement will take place each June, to allow sufficient time for all articles to be captured and counted as part of the Agreement, subject to an agreed-upon process.

3.4.3 Publishing Value at Discount
A Publishing Value at Discount shall be calculated for relevant articles within the Multi-payer Article Base for each year of the Agreement, by multiplying all relevant articles within the Multi-Payer Article Base by the discounted APCs for the journals in which those articles are published. Relevant articles for the purpose of this calculation include:

- All articles published in Core hybrid journals (including Society journals, unless the society has opted out)
- All articles published in fully open access journals (including Society journals, unless the society has opted out)
- All articles published in CP/TL fully open access journals
- Open access articles published in established Cell Press pre-2021 hybrid journals, subject to a Cell Press minimum payment (see 3.4.6)

Payments for CP/TL other journals are applied outside of the Publishing Value at Discount construct and are not a part of this calculation.
3.4.4 Multi-payer Maximum and Value Gap
UC payments to Elsevier for relevant articles within the Multi-Payer Article Base will be subject to a Multi-payer Maximum. The Multi-payer Maximum shall be set at $10,700,000 in Year 1 of the Agreement, and shall increase at a rate of 2.6% per year thereafter.

<table>
<thead>
<tr>
<th>Year</th>
<th>Multi-payer Maximum Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>$10,700,000</td>
</tr>
<tr>
<td>Year 2</td>
<td>$10,978,200</td>
</tr>
<tr>
<td>Year 3</td>
<td>$11,263,633</td>
</tr>
<tr>
<td>Year 4</td>
<td>$11,556,488</td>
</tr>
</tbody>
</table>

The UC libraries will make a prepayment to Elsevier each year equivalent to the Multi-Payer Maximum, to support publishing within the Multi-payer Article Base. Author payments under the Multi-payer Model generate credits, to be placed in a Credits Fund as described in 3.4.5 below.

If, at the end of the year, the Publishing Value at Discount is higher than the Multi-payer Maximum, the difference will be attributed to a Value Gap for true-up at the end of the Agreement (see 3.7).

If, at the end of the year, and subject to the terms set out in 3.4.7, the Publishing Value at Discount is lower than the Multi-Payer Maximum, then UC will only be liable for a fee equivalent to the Publishing Value at Discount, and any excess amount already paid by the UC libraries will be credited toward the Multi-payer Maximum prepayment for the subsequent year, unless the Parties shall mutually agree to reconcile these amounts at the end-of-Agreement true-up.

3.4.5 Credits Fund
Any APC Remainders collected from UC authors for articles paid for via the Multi-payer Model will generate credits of an equal dollar value against library payments for publishing. These credits will be placed in a Credits Fund, which shall be used to fund additional components of the Agreement.

Should UC authors choose to publish their articles on an open access basis in the CP/TL other journals prior to their inclusion in the Multi-payer Model, they will be charged the discounted APC list price in 3.4.1, and any APC revenue collected for those articles will also generate credits of an equal dollar amount to be added to the Credits Fund.

Should UC corresponding authors choose to publish their articles on an open access basis in society titles that are not included in the Multi-payer Model, they will be charged the then current APC list price, and any APC revenue collected for those articles will generate credits of an equal dollar amount to be added to the Credits Fund.

The Credits Fund will be used to pay for CP/TL other journals (see 3.4.6) and fees for article growth (see 3.4.8). Any funds remaining in the Credits Fund after these payments are made will roll over annually, until the end of contract true up (see 3.7).

3.4.6 Minimum Payments for Cell Press and The Lancet (CP/TL) Journals
Separate fee structures shall apply to the established Cell Press hybrid, and the CP/TL other journals once the latter have been included in the Multi-payer Model. All CP/TL articles regardless of business model will be counted toward the Multi-payer Article Base, but UC will only be charged for articles in those
journals which the author has chosen to publish open access, with a designated annual minimum payment applicable to each journal category. In each case, the minimum payment shall be equivalent to the number of UC articles published in those journals in 2019 multiplied by their 2020 UC-specific weighted average APC and shall remain constant in each year of the Agreement. CP/TL fully OA journals are not subject to a minimum payment.

For the established Cell Press hybrid journals included in the Multi-payer Model from year 1, the minimum payment shall be $326,000. In each year of the Agreement, articles which the author has chosen to publish open access shall be counted toward the Publishing Value at Discount at their current discounted APC rate until the Multi-payer Article Base maximum threshold has been reached. If the total discounted APC value of articles published open access within the Multi-payer Article Base is less than the minimum payment threshold, a make-up payment will be added to the Publishing Value at Discount to reach the minimum payment.

For the CP/TL other journals, the minimum payment shall be $1.9M. Articles in these journals are not counted toward the Publishing Value at Discount. Rather, in each year of the Agreement, articles within the Multi-payer Article Base that the author has chosen to publish open access will be charged against the Credits Fund at their current discounted APC rate; these charges will be aggregated throughout the year and paid from the Credits Fund at the end of the year. If the total discounted APC value of articles published open access within the Multi-payer Article Base is less than the minimum payment threshold, a make-up payment will be charged against the Credits Fund to reach the minimum payment. Should there be insufficient funds to cover the discounted APCs for these articles or the minimum payment from the Credits Fund in a given year, any outstanding minimum payment balance shall be invoiced to UC at the end of that year.

For all CP/TL journals, articles above the Multi-payer Article Base which the author has chosen to publish open access will be charged according to the Article Growth Fee calculation in 3.4.8.

3.4.7 Minimum Volume Threshold
Should the number of articles published under the Multi-payer Model fall more than 20% below the maximum number of articles allowed within the Multi-payer Article Base in any given year (e.g. 4370 in year 1), the following controls apply:

- Publishing Value at Discount shall be set at 80% of the maximum number of relevant articles within the Multi-payer Article Base (e.g. 4370 in year 1), times a weighted average discounted APC of relevant articles within the Multi-payer Article Base. For the avoidance of doubt, CP/TL other journals are not a part of this calculation.
- If 3.4.7 is triggered and CP/TL other journal publication volume has decreased, the CP/TL other journals minimum payment (described in 3.4.6) will be recalculated as a proportional volume reduction versus the article baseline used to calculate the minimum payment, up to a maximum decrease of 20%.

3.4.8 Article Growth Fee
An Article Growth Fee shall be charged to UC annually for articles published above the Multi-Payer Article Base. Fees will be calculated on the basis of the number of journal articles published up to a designated maximum, adjusted for author grant participation thresholds.
The maximum Article Growth Fee in each year of the Agreement is based on Elsevier’s projections for full OA article growth, charged at a UC-weighted full OA average APC, as follows:

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected articles above</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-payer Article Base</td>
<td>152</td>
<td>287</td>
<td>451</td>
</tr>
<tr>
<td>Article Growth Maximum</td>
<td>$339,868</td>
<td>$660,912</td>
<td>$1,071,682</td>
</tr>
</tbody>
</table>

Actual fees charged will be adjusted for actual articles published and author grant participation rates in the current year, as determined through the following calculations:

1. the number of actual articles published above the Multi-payer Article Base will be calculated as a percentage of total projected articles; the resulting percentage, up to 100%, will then be applied to the maximum fee for that year to arrive at a volume-adjusted growth fee;

2. the volume-adjusted growth fee will be further adjusted according to the following thresholds of author grant participation to determine the Article Growth Fee:

<table>
<thead>
<tr>
<th>Grant participation rate</th>
<th>Fee Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower bound</td>
<td>Upper bound</td>
</tr>
<tr>
<td>0%</td>
<td>&lt;15%</td>
</tr>
<tr>
<td>15%</td>
<td>&lt;25%</td>
</tr>
<tr>
<td>25%</td>
<td>&lt;40%</td>
</tr>
<tr>
<td>40%</td>
<td>&lt;50%</td>
</tr>
<tr>
<td>50%</td>
<td>100%</td>
</tr>
</tbody>
</table>

For the purpose of counting articles above the Multi-payer Article Base, only CP/TL articles which the author has chosen to publish open access will be counted toward the Article Growth Fee. For all other journal categories covered under the Agreement, all published articles will be counted regardless of the business model chosen by the author.

The Article Growth Fee shall be charged first against the Credits Fund. Should there be insufficient funds in the Credits Fund to cover the Article Growth Fee, any outstanding balance due shall be invoiced to the UC Libraries.

3.5 Reading Access and Perpetual Rights
Inclusive within the scope of this Agreement, UC shall have reading access under the Agreement from April 1st to:

- All Elsevier-owned Core hybrid journals
• All Cell Press and The Lancet journals
• All other Elsevier- or Society-owned journals that are part of the Freedom Collection and/or were previously subscribed to by UC
• All other Core hybrid Society journals included in the Multi-payer Model for which there is UC publishing value equal to or in excess of the subscription fee. The publishing value of journals excluded from reading will be reviewed on an annual basis; where these journals are added for reading, they will remain available for reading for the term of the Agreement
• All Elsevier and Society fully OA journals
• All new launch and transfer journals in the above categories that are added during the term of the Agreement, subject to any requirements placed on Elsevier by society partners. Elsevier agrees to work to minimize any exclusions to reading in the above categories during the term of the Agreement.

A systemwide subscription agreement to the 27 Clinics journals previously licensed at UC shall be available for an annual fee of $146,524 and may also be purchased individually at the previous campus price, with the annual fee held flat for the duration of the Agreement. Subscribing to the Clinics will be optional in any year of the Agreement and will allow for title swapping.

All other Subscription-only journals and any other journals not made available for reading access under this Agreement may be optionally purchased for systemwide reading and PTAs at a rate of 4x the then current list price.

Systemwide Post Termination Access (PTA) rights to all journals previously subscribed to by UC with systemwide perpetual rights can be optionally purchased for any year of the Agreement for an annual fee of $1,050,000, which shall be held flat for the duration of the Agreement. Titles from the Freedom Collection may be swapped for titles of equal or similar value, priced as 10% of 4X of the then current subscription price.

Modular PTA rights with systemwide perpetual rights can also be optionally purchased for individual journals and subsets of journals for each agreement year, for a fee of 10% of the 2018 UC Subscription fee of the given journal, or for 10% of 4X of the current subscription price for titles UC has not previously subscribed to, up to a maximum subscribed title value base of $10.9M. PTA’s purchased beyond the maximum subscribed titles value of $10.9M shall be priced as a new subscription at 4x the then current subscription price.

All reading entitlements, subscriptions, and PTA rights under the Agreement shall operate on an April-March year and shall be available under a systemwide agreement with UC.

3.6 COVID Relief Reduction
A “COVID Relief Reduction” shall be provided over the four-year term of the Agreement in recognition of the extended fiscal challenges faced by UC and other institutions of higher education due to the global COVID-19 pandemic. The amount of the COVID Relief Reduction shall be $2.1M, spread evenly over the four year term of the Agreement.
3.7 End of Agreement True-Up

Upon termination of the Agreement a 'true up' will determine the final financial settlement between the Parties of any funds remaining in the Credits Fund after paying for the final year's OA publishing in CP/TL other journals (see section 3.4.6) and the final year's Article Growth Fee (see section 3.4.8).

As described in section 3.4.4 above, if the Publishing Value at Discount is higher than the Multi-Payer Maximum in any given year, Elsevier may recover the difference (referred to as the 'Value Gap') at the end of the Agreement from remaining funds in the Credits Fund. The amount of the Value Gap that can be recovered shall be subject to a maximum in each year of the Agreement, as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Value Gap Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$967,255</td>
</tr>
<tr>
<td>2</td>
<td>$1,039,073</td>
</tr>
<tr>
<td>3</td>
<td>$1,114,158</td>
</tr>
<tr>
<td>4</td>
<td>$1,192,637</td>
</tr>
</tbody>
</table>

Any outstanding balances in the Credits Fund after the cumulative Value Gap has been fully recovered will be shared between Elsevier (40%) and UC (60%).

3.8 Reporting

Elsevier will provide regular article-level reports of UC publishing activity and additional relevant data points as needed to ensure proper accounting and administration of the Agreement. Such reports will be provided in a mutually agreeable format, following appropriate standards where possible.

3.9 Data reconciliation

Elsevier and UC will review and finalize the data underlying the parameters of the Agreement as described above and make any needed final adjustments to the Agreement parameters prior to finalization of the Agreement.

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Date: 10 March, 2021