

**STATE OF MINNESOTA  
PROFESSIONAL AND TECHNICAL SERVICES  
WORK ORDER CONTRACT**

This work order contract is between the State of Minnesota, acting through its **Commissioner of Commerce ("State")** and **RSM McGladrey Inc. ("Contractor")**. This work order contract is issued under the authority of Master Contract T-Number 1013A, CFMS Number B44087, and is subject to all provisions of the master contract which is incorporated by reference.

**1 Term of Contract**

1.1 *Effective date: July 1, 2010* or the date the State obtains all required signatures under Minn. Stat. § 16C.05, subd. 2, whichever is later. The Contractor must not begin work under this contract until this contract is fully executed and the Contractor has been notified by the State's Authorized Representative to begin the work.

1.2 *Expiration date: June 30, 2011* or until all obligations have been satisfactorily fulfilled, whichever occurs first.

**2 Contractor's Duties**

The Contractor, who is not a state employee, will:

Perform statutory examinations of insurance companies domiciled in the State of Minnesota as determined by the project manager throughout the course of the contract period.

Upon completion of the examinations, the Contractor will draft a formal report of examination that contains findings, conclusions, and recommendations for corrective or regulatory action. The Report of Examination will report on the financial condition of the Company(s) and on the entities' compliance with Minnesota statutes and regulations as they relate to insurers.

The examinations will be performed using procedures contained in the NAIC Financial Condition Examiners Handbook applied to transactions and financial results covering the period from inception to December 31, 2009 and 2010 and subsequent events through the end of the examination fieldwork. The Contractor will develop detailed work plans. The Assistant Commissioner will approve the work plans. The Assistant Commissioner will also approve any adjustments to the work plans necessary as a result of the review of work as it progresses.

Work papers prepared during these examinations will be organized using TeamMate software, and other tools appropriately approved for use by the Examinations Coordinator. Access to necessary Minnesota databases will be arranged and monitored by the Examinations Coordinator.

The final responsibility for the reports' content and the examination judgments contained therein will remain with the State. The Report of Examinations will be submitted within 30 days of the close of fieldwork.

**3 Consideration and Payment**

The State will pay for all services performed by the Contractor under this work order contract as follows:

*Compensation and Travel Expenses.* The Contractor will be paid compensation based on an hourly rate of \$85 to \$350 and will be reimbursed for expenses actually and necessarily incurred by the Contractor up to 20% of the total obligation.

*Total Obligation.* The total obligation of the State for all compensation and reimbursements to the Contractor under this work order contract will not exceed \$2,500,000.00

**Invoices.** The State will promptly pay the Contractor after the Contractor presents an itemized invoice for the services actually performed and the State's Authorized Representative accepts the invoiced services. Invoices must be submitted to the State monthly.

**Retainage.** Under Minnesota Statutes Section 16C.08, subdivision 5(b), no more than 90% of the amount due under this contract may be paid until the final product of this contract has been reviewed by the State's agency head. The balance due will be paid when the State's agency head determines that the Contractor has satisfactorily fulfilled all the terms of this contract.

**4 Project Managers**

The State's Project Manager is **Jacqueline L. Gardner, Assistant Commissioner, Minnesota Department of Commerce, 85 7<sup>th</sup> Place East, Suite 500, St. Paul, MN 55101, (651) 297-7030, or Peter T. Foley II, Examinations Coordinator, 85 7<sup>th</sup> Place East, Suite 500, St. Paul, MN 55101.** The State's Authorized Representative will certify acceptance on each invoice submitted for payment.

The Contractor's Project Manager is **Jan M. Moenck, Managing Director, RSM McGladrey, 801 Nicollet Avenue, Suite 1100, Minneapolis, MN 55402, (612) 868-9839.** If the Contractor's Project Manager changes at any time during this work order contract, the Contractor must immediately notify the State.

**5 Time**

The Contractor will not be responsible for delays caused by the State or other parties, beyond its reasonable control.

**6 Liability**

With respect to any statutory financial examinations performed hereunder, the Contractor's liability is governed by Minn. Stat. § 60A.031, Subdivision 9. As regards the Contractor's liability to the Minnesota Department of Commerce, liability is limited to the amount of fees paid under this Work Order Contract and the Master Contract.

**7 Termination**

The State may cancel the Work Order Contract at any time, with or without cause, upon 30 days' written notice to the Contractor. Upon termination, the Contractor will be entitled to payment for services satisfactorily performed and expenses incurred on the date such written notice is received by Contractor.

**8 Work Papers**

As the State requires that electronic work papers be prepared in most instances on engagements performed on behalf of the State, both the Contractor and the State will retain a copy of all hard copy work papers when applicable, with the State retaining the original work papers. This Work Order Contract has been entered into solely between the State and the Contractor, and no third-party beneficiaries are created or intended hereby.

**9 Miscellaneous**

The Master Contract and any Work Order Contract issued there under constitute the entire agreement and understanding among the parties hereto and supersede any and all prior agreements and understanding, oral or written, relating to the subject matter hereof. The Master Contract and any Work Order Contract shall be governed by and construed in accordance with the laws of the state of Minnesota. The terms outlined in this Work Order Contract provide specific guidance governing the relationship between the State and Contract on this project.

**STATE ENCUMBRANCE VERIFICATION**

*Individual certifies that funds have been encumbered as required by Minn. Stat. §§ 16A.15 and 16C.05.*

Signed: Jennifer Hanotian  
Date: 7/7/10

**STATE AGENCY**

By: Kevin M. Murphy  
(With delegated authority)  
Title: Deputy Commissioner  
Date: 6/24/10

CFMS Contract No. A B45641

**CONTRACTOR**

The Contractor certifies that the appropriate person(s) have executed the contract on behalf of the Contractor as required by applicable articles, bylaws, resolutions, or ordinances.

By: Reldogue  
Title: CHIEF FINANCIAL + OPERATIONS OFFICER  
Date: 6/24/10