

OFFICE OF THE COUNTY ADMINISTRATOR

600 West Fourth Street
Davenport, Iowa 52801-1003

Office: (563) 326-8702
Fax: (563) 328-3285
www.scottcountyiowa.com



DATE: August 11, 2015

TO: Board of Supervisors

FROM: Dee F. Bruemmer, County Administrator

RE: Approval of a contract for Forensic Services with McGladrey LLP

A request for proposal was sent to two local accounting firms to perform forensic services for accounts in the Sheriff's Department. The proposal from McGladrey is recommended because it could be started in the quickest timeframe and was the lower cost between the two proposals. These services were started prior to presentation to the Board for approval due to the need to begin the work as soon as possible. The Board was fully informed of the costs and the recommended firm prior to proceeding with the work.

The work is being performed in consultation with the State Auditor as required. While the State Auditor could perform the work at a lower hourly rate, staff could not be assured when the state would perform the services or what product would be received. Staff is requiring the services to include an identification of deficiencies and recommendation for improvement. The state report would only point out the monies that are missing. The Sheriff and County Attorney also recommended a more in depth report. We have learned in the last two weeks that the County's insurance company requires that investigation be done as quickly as possible and that reports are available to them within four months of discovery of a problem.

The agreement is attached. When the report is complete it will be made available to the Board. The report will be used by the Davenport Police Department and reviewed by the State Auditor prior to final issuance. The State Auditor may request additional services but those are unknown to staff at this time.

THE COUNTY AUDITOR'S SIGNATURE CERTIFIES
THAT THIS RESOLUTION HAS BEEN FORMALLY
APPROVED BY THE BOARD OF SUPERVISORS ON

DATE

SCOTT COUNTY AUDITOR

R E S O L U T I O N
SCOTT COUNTY BOARD OF SUPERVISORS

August 13, 2015

A RESOLUTION APPROVING CONTRACT FOR FORENSIC SERVICES

BE IT RESOLVED BY the Scott County Board of Supervisors as follows:

Section 1. That the contract with McGladrey for Forensic Services is approved.

Section 2. This resolution shall take effect immediately.

July 8, 2015

One E. Burlington, County Administration
Box, County Administration Center
One West Main Street
Burlington, IA 52601-1024
One Mrs. Branning

The enclosed report the property of Scott County, Iowa. It is not to be
distributed outside of the agency. It is a confidential document and should
not be used for any other purpose. It is the property of Scott County, Iowa.
It is not to be distributed outside of the agency. It is a confidential document
and should not be used for any other purpose. It is the property of Scott
County, Iowa.

Enclosed for your review is a copy of the Forensic Services Engagement
Agreement. Please review the agreement and return a signed copy to the
undersigned.

Sincerely,

McGladrey LLP



Scott County

Forensic Services Engagement Agreement

July 8, 2015



McGladrey LLP

201 N. Harrison Street, Suite 300
Davenport, IA 52801
O 563.888.4000 F 563.324.6939
www.mcgladrey.com

July 8, 2015

Dee F. Bruemmer, County Administrator
Scott County Administrative Center
600 West Fourth Street
Davenport, IA 52801-1003

Dear Ms. Bruemmer:

We are enthusiastic about the prospect of serving Scott County (the "County," "Client," "you," or "your"). The purpose of this engagement letter is to document your agreement for McGladrey LLP ("McGladrey," "we," or "us") to consult with and assist you with a forensic investigation of certain financial transactions pertaining to the County jail.

Our services will entail certain forensic accounting, investigative or consulting services to ascertain the existence of inappropriate financial transactions and to quantify such transactions. The project will primarily be performed by McGladrey consultants dedicated to financial advisory services, including forensic investigations. We have included the biographies of the team expected to work with you on this matter.

We appreciate the opportunity to be of service to you and look forward to working with you on this project. You will receive our closest attention. If you should have any questions or wish to discuss the proposed terms of our engagement, please call me.

Sincerely,

McGladrey LLP

A handwritten signature in black ink that reads "Michelle Horaney". The signature is written in a cursive, flowing style.

Michelle Horaney, Partner
Central Region Leader – Government and Education
563.343.4522
michelle.horaney@mcgladrey.com

A handwritten signature in black ink that reads "Susan M. EVELSIZER". The signature is written in a cursive, flowing style.

Susan M. Evelsizer, ASA, CPA
Director, Financial Advisory Services
309.497.1403
sue.evelsizer@mcgladrey.com

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Engagement overview

Our understanding of your needs

It is our understanding that McGladrey will perform forensic investigation services as a result of certain allegations which have come to the attention of the Sheriff department's management. Specifically, management suspects inappropriate financial transactions may have been made by a former clerk at the Scott County Jail. No opinion shall be expressed regarding the guilt or innocence of any person or party.

Objective

McGladrey will provide certain forensic accounting, investigative or other consulting services as Client may request from time to time in regard to the above-referenced matter. Written reports or findings shall be prepared independent of Scott County and after consultation with Office of Auditor of State-State of Iowa ("State Auditor") and shall be invoiced and payable as all such other fees and expenses to be incurred hereunder. Our analysis and opinions, including any reports, testimony or other documents which we prepare are to be used only in connection with the above-referenced matter and may not be published, distributed or used for any other purpose without our prior written consent, other than as required by State of Iowa laws and regulations.

Services and scope of work

Prior to performing any services, we will conduct an internal search for any potential conflicts of interest based on the names of the parties that you provide us. We will advise you promptly of the outcome of our search, and services will only be provided if Client and McGladrey do not believe a conflict exists with respect to the parties. We are, however, engaged by new clients every day and cannot assure that, following commencement of our services, engagements with clients which may create a potential conflict may occur within our company. Should a conflict come to our attention we will notify you promptly.

McGladrey is prepared to provide assistance in analyzing financial information and other data relevant to this matter. The specific procedures to be performed by McGladrey will be established based on discussions with you as the engagement progresses and additional information is obtained during the course of the engagement. In addition, McGladrey will discuss the procedures performed with the State Auditor at intervals to be determined by the State Auditor and implement procedure recommendations made by the State Auditor. Although McGladrey may provide advice and recommendations concerning the specific procedures that might be performed, McGladrey is not responsible for determining the procedures to be performed by it.

Client shall have the right to disclose to governmental authorities, including the State Auditor, reports, schedules, documents and/or other materials provided by McGladrey pursuant to this engagement. Client agrees that, without McGladrey's prior permission, any reports, schedules, documents, or other materials provided by McGladrey ("McGladrey Work Product") are not to be disclosed, quoted or referenced, in whole or in part, to any other third party, except as may be required by law, regulation, judicial or administrative process, in which case notification of such disclosure shall be provided to McGladrey prior

Dee F. Bruemmer, County Administrator
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to such disclosure. This engagement shall not create privity between McGladrey and any third party. Neither the McGladrey Work Product nor the services provided hereunder are intended for the express or implied benefit of any third party.

Our engagement cannot be relied upon to disclose all errors, irregularities, or illegal acts, including fraud or defalcations that may exist.

It is possible that our services may include access to the work of certified public accountants or to financial statements or financial information reported on by certified public accountants. You agree that although our services may result in access to such prior work of certified public accountants, you will not request or require that we provide testimony or evidence as an expert expressing an opinion on the past or current work of such certified public accountants in any future legal or equitable action for claims, debts or obligations against such certified public accountants.

Client acceptance of work

At the conclusion of each phase of work, as later described, we will review with you the intended scope of work and deliverables set out in this document to confirm we have met the defined engagement expectations. If you believe the deliverables do not conform, you will notify us in writing within 10 business days of delivery of the deliverables that the deliverables do not conform. We will then have a reasonable period of time, based upon its severity and complexity, to correct the nonconformity. If you use the deliverables before acceptance, or if you fail to notify us of the nonconformance within the 10-day period then the deliverables will be considered accepted.

Our personnel shall comply with the confidentiality provision of Section 1 of the attached General Business Terms, and Client's code of conduct or other reasonable policies regarding working conditions and business hours to the extent our personnel are made aware of such policies. McGladrey's responsibility for the refusal of any personnel to observe such policies shall be McGladrey's attempt to furnish Client with replacement personnel. If for any reason, any of our personnel are unable to complete the service period or his/her performance does not meet Client's expectations, McGladrey will attempt to provide a suitable replacement.

Engagement details

Approach

Our investigation will be conducted in accordance with lawful forensic investigation techniques which include, but are not limited to: analysis of books and records; voluntary interviews of appropriate personnel; and other such evidence-gathering procedures as necessary under the circumstances. We cannot provide assurances that fraud, if it exists, will be uncovered as a result of our investigation. We anticipate our work will be completed in Phases, with each Phase to be approved by Client before the commencement of additional work.

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Phase I – Obtain understanding of transactions, including potential misappropriation, and review internal investigation documentation.

In this Phase, the primary objective is to ascertain whether there has been a misappropriation of Client assets and, if misappropriation exists; to ascertain the methodology(s) used by the suspected perpetrator. Specific procedures may include, but are not limited to, the following:

- Interview management and personnel deemed necessary to understand the normal accounting processes used for the accounts identified by Client: work release general ledger, fingerprinting general ledger, the Turnkey account and the Kiosk account. Based on our preliminary discussions with you, we currently anticipate interviews of approximately four to six County employees.
- Interview management and personnel deemed necessary to understand the internal investigation procedures and results to date.
- Review the duties and responsibilities of the former employee, including but not limited to, work area and computer.
- Review the documentation, including but not limited to bank account statements, general ledgers, and cash activity reports, and communications produced as a result of internal investigation or suspicions. Based on our preliminary discussions with you, we anticipate our initial document review will include approximately 200 transactions currently identified by Client.
- Communicate our findings and observations with respect to the identified transactions in a written report.

Phase II – Design and implement additional tests and documentation procedures based on the results of Phase I

The results of Phase I may suggest additional sampling and testing is necessary. If so, we will design the test and documentation procedures that may be needed to quantify and substantiate additional impropriates based on the needs of Client and its legal counsel, the State Auditor, bonding representatives and/or law enforcement. In addition, Client or the State Auditor may request additional sampling and testing on other financial areas than those set forth in Phase I. We will perform such procedures based on discussions with and recommendations of the State Auditor.

It is expressly understood that any additional procedures not previously outlined in Phase I, will be considered part of Phase II for billing purposes.

In addition, at the direction of Client, we will update our initial report for any additional information based on the needs of Client and its legal counsel, the State Auditor bonding representatives and/or law enforcement.

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Phase III – Deposition and/or testimony

We will prepare for and provide deposition or testimony as needed based on our final written report.

Engagement timeline

We are available to commence Phase I upon acceptance of this proposal. We will schedule a start date and time agreeable to Client. We anticipate Phase I will require approximately 100 hours over a two to three week period. We will utilize your internal resources as much as possible during the course of the engagement.

The time required for Phases II and III is highly dependent on the results of Phase I.

Staffing

Michelle Horaney, Partner, will be responsible for overseeing the engagement and for the delivery of all services to you. Sue Evelsizer, Director, will have direct responsibility for this forensic investigation. Other professionals with the necessary skill and experience levels may be called upon to assist in this engagement as appropriate. While we will attempt to comply with your requests for certain individuals, we retain the right to assign and reassign our personnel, as appropriate, to perform the services. Brief biographies of the professional staff expected to work on this engagement have been included as an attachment to this engagement letter.

Reporting and deliverable

We will document our conclusions from Phase I in a written report, including attachment or maintenance of a separate file of supporting documentation. This report will cover only the review of the transactions currently identified by internal County personnel. It is anticipated this report will include the following sections:

- Assignment
- Background
- Information Considered
- Analysis of the Identified Transactions
- Scheme(s)
- Other Considerations
- Summary
- Appendices or separate files with supporting documentation

Client will be responsible for safeguarding original documents.

Although McGladrey may provide Client with draft results of the work before it is finalized, any part of our analysis, including the recommendations or conclusions, may change between the time of the draft results and the issuance of the final report. Client should not rely upon any of the analyses, conclusions or recommendations until the final deliverable is issued.

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Additional deliverables for Phases II and III will only be provided as requested by Client based on the needs of Client and its legal counsel, bonding representatives and/or law enforcement.

Professional fees and conditions

Professional fees

Our fees for services described in this letter are based upon actual time at our standard rates. We estimate that the fees for completing our Phase I will not exceed \$25,000. The estimated costs do not include out-of-pocket travel costs, if any, or direct material costs. Our current rates, which may be subject to adjustment as our prevailing rates change from time to time, are as follows:

Title	Hourly Rate
Partner	\$375
Director	\$325
Manager	\$275
Senior associate/associate	\$175
Paraprofessional	\$100

The time required for Phase II is highly dependent on the outcome of Phase I and the needs of Client with respect to written deliverables, consultations and deposition or testimony. All time incurred for Phase II will be billed by the hour at the prevailing rates when service is delivered.

Time for preparation and deposition and/or testimony is generally provided by our most experienced consultants and will be billed at an hourly rate of \$325.

In keeping with our standard procedures for this size and type of engagement, we request a nonrefundable retainer of \$5,000 upon signing of the engagement letter and commencing work. The retainer will be applied to our final invoice at the conclusion of the engagement.

You acknowledge that this is our good-faith estimate based upon the facts and circumstances we are aware of today and that the fees may be different based upon circumstances we or you become aware of as the engagement progresses. If circumstances are encountered that affect our ability to proceed according to the plan outlined above, such as major scope changes, loss of key client personnel, unavailable information or undetermined or requested scope changes during our scoping efforts, we will inform you promptly and seek your approval for any changes in scope, timing or fees that may result from such circumstances.

This estimate is based upon the scope of the project work plan as outlined in this proposal. The scope may be changed based upon our initial consultation with Client, and Client's specific needs and desires as the project proceeds. Changes in scope may change the estimated fees for this project. Changes in

Dee F. Bruemmer, County Administrator
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scope can occur during forensic investigations due to what is found from performing our project work plan.

Fees for accounting, financial, economic, forensic and investigative consulting services of this type are always difficult to estimate. If circumstances are encountered that affect our ability to proceed according to the plan outlined above, such as major scope changes, loss of key Client personnel, unavailable information during our scoping efforts or undetermined or requested scope changes, we will inform Client promptly and seek Client's approval for any changes in scope, timing or fees that may result from such circumstances.

We will bill our fees and expenses monthly. Those fees and expenses do not include taxes. You will be responsible for and will pay all applicable sales, use, excise, value added and other taxes associated with the provision or receipt of the services and deliverables, excluding taxes on our income generally. Our invoices are payable upon presentation. We reserve the right to charge interest on any invoice that is not paid within 60 days of the invoice date. If you object to any portion of an invoice, you will notify us of your objection within ten (10) days of the date of the invoice, and the parties will promptly make a good faith effort to settle the disputed portion of the invoice. No interest will accrue on such disputed portion of the invoice until the dispute is resolved. You will in any event pay the portion of the invoice that is not in dispute within such thirty (30)-day period. We reserve the right to suspend or terminate our Services if our invoices are not timely paid, in which event we will not be liable for any resulting loss, damage or expense connected with such suspension or termination.

Other engagement terms and items

Services performed

The procedures to be performed will not constitute an audit, a review or a compilation of the Company's financial statements or any part thereof, nor the external examination of management's assertions concerning the effectiveness of the Company's internal control systems or an examination of compliance with laws, regulations or other matters. Accordingly, our performance of the procedures will not result in the expression of an opinion or any other form of assurance on the Company's financial statements or any part thereof, nor an external opinion or any other form of assurance of the Company's internal control systems or its compliance with laws, regulations or other matters.

Engagement assumptions and company responsibilities

Our Services, fees and work schedule are based upon the assumptions, representations and information supplied by you.

In the event we obtain nonpublic information during this engagement, we will use such information, if at all, only for the purposes described in this engagement and will keep such information confidential in accordance with the provisions of Section 1 of the attached General Business Terms. We have implemented commercially reasonable safeguards to protect against the loss, misuse alteration or destruction of or unauthorized access to such information (which safeguards include policies for the

Dee F. Bruemmer, County Administrator
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disposal and destruction of such information), and will promptly notify you after learning of any security breach that compromises such information.

In connection with the performance of these Services, Client agrees to make all management decisions and perform all management functions; designate an individual who possesses suitable skills, knowledge and/or experience, preferably within senior management, to oversee such services; evaluate the adequacy and results of the services performed; accept responsibility for the results of the services; and establish and maintain internal controls, including monitoring ongoing activities. If circumstances arise relating to the availability of sufficient, competent evidence or information that, in our professional judgment, prevents us from completing the engagement, we retain the unilateral right to take any course of action permitted to us, including withdrawal from the engagement.

In the event we are requested or authorized by Client or are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for Client, Client will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

You agree to furnish personnel, facilities and resources, and undertake the responsibilities set forth in this engagement letter. You also agree to cause all levels of your employees and contractors to cooperate fully and timely with us. You will designate an employee or employees within your senior management who will make or obtain all management decisions with respect to this engagement on a timely basis. You also agree that all assumptions set forth in this engagement letter are accurate and agree to provide us with such further information we may need and that we can rely on to be accurate and complete.

We will be entitled to rely on all of your decisions and approvals made independently and we will not be obligated to evaluate, advise on, confirm or reject such decision and approvals. You will evaluate the adequacy and results of our services and will let us know immediately of any problems or issues you perceive in our personnel, services or deliverables. We will also let you know where we feel we are not getting the appropriate cooperation or direction and advise you of any other issues related to this engagement. The success of this engagement is dependent upon full openness, communications, cooperation and timely direction. The fulfillment of these responsibilities is critical to the success of this engagement. The successful delivery of our services, and the fees charged, are also dependent on your timely and effective completion of your responsibilities, the accuracy and completeness of the assumptions, and timely decisions and approvals by your management. You will be responsible for any delays, additional costs or other liabilities caused by or associated with any deficiencies in the assumptions or in carrying out your responsibilities.

Our work will be to assist and advise you with this project; as stated below and for clarity, we will not, nor does Client desire us to, perform any management functions, make management decisions or otherwise perform in a capacity equivalent to that of an employee or officer of Client.

Dee F. Bruemmer, County Administrator
Scott County
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General business terms and engagement acceptance

Scott County has determined that McGladrey LLP's engagement letter dated July 8, 2015, is acceptable and authorizes McGladrey LLP to perform a forensic investigation as outlined in this proposal.

The attached General Business Terms apply to this engagement and are an integral part of our agreement. This Engagement Letter and the attached General Business Terms correctly set forth our understanding and acceptance of this agreement. Please indicate your agreement to these arrangements by signing and returning a copy of this letter to the attention of Michelle Horaney via mail, fax or Email. A fax or scan will be considered the equivalent of an original of this project acceptance.

We appreciate the opportunity to be of service to you and look forward to working with you on this engagement. You will receive our closest attention. Please indicate your agreement to these arrangements by signing and returning to me the enclosed copy of this engagement letter along with a check for the requested retainer. If at any time you have questions, concerns or issues with our services, billings or anything else related to our service, please contact Michelle at 563.343.4522 or Sue at 309.497.1403.

Sincerely,

McGladrey LLP

Michelle Horaney Susan M. Evelsizer 2015

Michelle Horaney, Partner
Central Region Leader –
Government and Education

Susan M. Evelsizer, ASA, CPA
Director, Financial Advisory Services

Attachments: Appendix A—General Business Terms
Appendix B—Acknowledgement and Release Letter
Appendix C—Professional Qualifications

This Engagement Letter and the attached General Business Terms correctly set forth our understanding and acceptance of this agreement.

Acknowledged and accepted:

Scott County

By: *Dee F. Bruemmer*
Title: *County Administrator*

Date: *7/13/15* ^{*DTB 8/13/15*}
EIN Number: *42-6004465*

Appendix A—General Business Terms

These General Business Terms (the “Terms”) will govern the services provided by McGladrey as described in the Engagement Letter or Proposal (the “Engagement Letter or Proposal”) executed by Client and McGladrey in which these Terms are included. These Terms, together with the Engagement Letter or Proposal and any of its attachments, constitute the entire understanding and agreement between Client and McGladrey with respect to the services described in the Engagement Letter or Proposal (collectively, the “Agreement”), supersede all prior oral and written communications, and may be amended, modified or changed (including changes in scope or nature of the services or fees) only in writing when signed by both parties. If there is a conflict between these Terms and the terms of the Engagement Letter or Proposal, these Terms will govern.

1. Confidentiality With respect to any information supplied in connection with this Agreement and designated by either party as confidential, or which the recipient should reasonably believe is confidential based on its subject matter or the circumstances of its disclosure, the recipient agrees to protect the confidential information in a reasonable and appropriate manner, and use and reproduce the confidential information only as necessary to perform its obligations under this Agreement and for no other purpose. The obligations in this section will not apply to information which is: (i) publicly known; (ii) already known to the recipient; (iii) lawfully disclosed by a third party; (iv) independently developed; or (v) disclosed pursuant to legal requirement or order. Subject to the foregoing, the recipient may disclose the confidential information on a need-to-know basis to the recipient’s contractors, agents and affiliates who agree to maintain its confidential nature.

2. Deliverables (a) Upon full payment of all amounts due McGladrey in connection with this Agreement, all right, title and interest in the deliverables set out in the Engagement Letter or Proposal will become Client’s sole and exclusive property, except as set forth below. McGladrey will retain sole and exclusive ownership of all right, title and interest in its work papers, proprietary information, processes, methodologies, techniques, ideas, concepts, trade secrets, know-how and software, including such information as existed prior to the delivery of the services and, to the extent such information is of general application, anything which McGladrey may discover, create or develop during the provision of services for Client. Except for software owned by and/or proprietary to McGladrey, to the extent the deliverables contain McGladrey’s proprietary

information, McGladrey grants Client a non-exclusive, non-assignable, royalty-free license to use it in connection with the deliverables and the subject of the Engagement Letter or Proposal and for no other or further use. To the extent the deliverables contain the proprietary information of a third party, Client agrees to comply with such third party’s terms of license as the same are communicated to Client. All licenses to software (including any enhancements to software) will be licenses to object code only.

(b) Client acknowledges and agrees that any advice, information or work product provided to Client by McGladrey in connection with this engagement is for the sole benefit and use of Client and may not be relied upon or used by any third party. Client further agrees that if it makes any such advice, information or work product available to any third party other than as expressly permitted by the Engagement Letter or Proposal or Section 1(v) above, the provisions of Section 4(c) below will apply unless: (i) Client provides to the third party an acknowledgement and release letter substantially in the form of Exhibit A attached hereto (the “Letter”); and (ii) the third party signs and returns the Letter to Client. Upon request, Client will provide McGladrey with a copy of the signed Letter.

3. Warranty McGladrey warrants that the services will be performed with reasonable care in a diligent and competent manner. McGladrey’s sole obligation will be to correct any nonconformance with this warranty or, if McGladrey cannot correct the nonconformance, to refund to Client the amount paid to McGladrey for the portion of the services or deliverables that does not conform to this warranty; provided that Client gives McGladrey written notice within thirty (30) days after the services are performed

or, if applicable, deliverables are delivered. The notice will specify and detail the nonconformance and McGladrey will have a reasonable amount of time, based on its severity and complexity, to correct the nonconformance. Except for assistance provided by subcontractors or entities affiliated with McGladrey as explicitly identified to Client, McGladrey does not warrant and is not responsible for any third-party services. McGladrey and entities affiliated with McGladrey are not responsible for third-party products and hereby disclaim any and all warranties, express, implied or otherwise, in connection with third-party products, including without limitation the implied warranty of merchantability and the implied warranty of fitness for particular purpose. Client's sole and exclusive rights and remedies with respect to third-party products, and third-party services not provided by McGladrey's subcontractors or entities affiliated with McGladrey, are against the third-party vendor and not against McGladrey or any entities affiliated with McGladrey, including without limitation McGladrey Product Sales LLC.

THIS WARRANTY IS MCGLADREY'S ONLY WARRANTY CONCERNING THE SERVICES AND ANY DELIVERABLE, AND IS MADE EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES AND REPRESENTATIONS, EXPRESS, IMPLIED, OR OTHERWISE, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE HEREBY DISCLAIMED.

4. Indemnification (a) Each party agrees to indemnify, hold harmless and defend the other from and against any and all claims, actions, fees, expenses, costs, damages, losses and liabilities (including reasonable attorneys' fees) (collectively, "Liabilities") for bodily injury or death of any person or damage to real or tangible personal property which the other party may sustain or incur, to the extent such Liabilities result from the negligence or willful misconduct of the indemnifying party, its employees, agents or representatives.

(b) McGladrey agrees to indemnify, hold harmless and defend Client from and against any and all Liabilities to the extent such Liabilities result from the infringement of any third party's intellectual property by any deliverables provided under this Agreement. The

foregoing indemnification will not apply to the extent any infringement results from: (i) the use of the deliverables other than in accordance with the terms of this Agreement and any applicable documentation or instructions supplied by McGladrey; (ii) any modification to the deliverables not expressly agreed to in writing by McGladrey; or (iii) the combination of the deliverables with any materials not provided or expressly approved by McGladrey.

(c) Client agrees to indemnify, defend and hold harmless McGladrey from and against any and all Liabilities incurred or suffered by or asserted against McGladrey to the extent such Liabilities result from a third party's use, possession of or reliance upon McGladrey's advice, information or work product as a result of Client's failure to comply with the Letter requirements of Section 2(b) above.

5. Liability Except for each party's indemnification obligations under this Agreement, the total liability of Client and McGladrey (and their respective affiliates, partners, principals, officers, directors, employees, contractors, agents and representatives) relating to this Agreement will in no event exceed an amount equal to the fees paid (in the case of McGladrey's liability) or owing (in the case of Client's liability) to McGladrey under this Agreement. In no event will Client or McGladrey (or their respective affiliates, partners, principals, officers, directors, employees, contractors, agents or representatives) be liable for any special, consequential, incidental, punitive or exemplary damages or loss (nor any loss of profits, savings, data, use of software or hardware or business opportunity, or interruption of business) even if advised of the possibility of such loss.

6. Termination (a) Either party may terminate this Agreement at any time, with or without cause, upon fifteen (15) days' prior written notice to the other party.

(b) Client will pay McGladrey for all services rendered (including deliverables and products delivered), expenses incurred and commitments made by McGladrey through the effective date of termination.

7. General (a) Except for the payment of money, neither party will be liable for any delays or failures in performance due to circumstances beyond its reasonable control.

(b) No term of this Agreement will be deemed waived, and no breach of this Agreement excused, unless the waiver or consent is in writing signed by the party granting such waiver or consent.

(c) Neither party may assign or transfer this Agreement without the other party's prior written consent, except in connection with (i) the sale of all or substantially all of the party's assets or a line of business sale; (ii) the sale of a majority of the capital stock of the party or (iii) the merger of the party with another entity. In each such instance, the party may transfer the Agreement to the acquirer or surviving company (in the case of a merger).

(d) Any notices given pursuant to this Agreement will be in writing, delivered to the addresses set forth in the Engagement Letter or Proposal (unless changed by either party by notice to the other party), and will be effective upon receipt.

(e) If any term or provision of this Agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

(f) Each party is an independent contractor and not an employee, agent, joint venturer or partner of the other.

(g) McGladrey may from time to time use third-party subcontractors and service providers, or affiliates, including related entities, located within or outside of the United States, to assist it in delivering specific products or services to Client, including without limitation subcontracting the resale of hardware, software and other products through McGladrey Product Sales LLC. In such cases and except as provided herein, McGladrey will continue to be responsible for the obligations set forth in these Terms. The management of and all financial arrangements with subcontractors will be McGladrey's responsibility.

(h) The terms of this Agreement which by their nature are to survive this Agreement will survive its expiration or termination.

(i) The parties acknowledge that they may correspond or convey documentation via various forms of electronic transmission (including, but not limited to, e-mail, FTP, and cloud-based sharing and hosting applications) and that neither party has control over the performance,

reliability, availability or security of these electronic transmission methods. Therefore, neither party will be liable for any loss, damage, expense, harm, disclosure, or inconvenience resulting from the loss, delay, interception, corruption, disclosure, or alteration of any electronic transmission due to any reason beyond its reasonable control. McGladrey also offers its clients the opportunity to use a secure internet portal for the exchange of confidential information using commercially standard encryption protocols. Use of this portal requires the execution of a separate user agreement.

(j) Neither party intends that there be any third party beneficiaries to this Agreement.

(k) Neither party will use the other party's name, trademarks, service marks, logos, trade names and/or branding without such party's prior written consent. Notwithstanding the foregoing, McGladrey may mention Client's name and provide a general description of the engagement in McGladrey's client lists and marketing materials.

(l) The parties agree that this Agreement and any dispute or claim arising out of or relating to this Agreement or the services will be governed by and construed in accordance with the laws of the state in which the McGladrey office providing the services is located without regard to such state's laws of conflicts. The parties agree that all litigation or other legal proceedings under this Agreement will be brought in the state or federal courts located therein. The parties agree to this choice of law, jurisdiction and venue, and waive the defense of an inconvenient forum. Additionally, the parties waive trial by jury and agree that any dispute or claim should be resolved by a judge without a jury.

(m) Any action against either party by the other in connection with this Agreement must be brought within eighteen (18) months after the cause of action arises.

Appendix B—Acknowledgement and Release Letter

[To be placed on Third-Party Recipient's Letterhead]

(SPECIMEN ONLY – DO NOT EXECUTE)

[Date]

[Client Name and Address]

Dear [Client Representative]:

[Client] ("Company") has informed [Third-party recipient] ("Recipient") that McGladrey LLP ("McGladrey") has performed certain consulting and professional services for Company in connection with the engagement letter between Company and McGladrey dated [Date] (the "Engagement Letter"). Recipient understands that any advice, recommendations, information or work product (collectively, the "Work") provided to Company by McGladrey in connection with the Engagement Letter was performed exclusively for Company's sole benefit and use, and not for the benefit or use of Recipient or any other third party.

Recipient acknowledges that the Work was prepared at the direction of Company and may not include all procedures or information deemed necessary for the purposes of Recipient, and that certain findings and information may have been communicated to Company that are not reflected in any tangible Work provided to Company. Recipient further acknowledges that McGladrey makes no representations as to the sufficiency, accuracy, completeness or appropriateness of the Work for Recipient's purposes.

In consideration of Company allowing Recipient access to the Work, Recipient agrees that it does not acquire any rights as a result of such access that it would not otherwise have had and acknowledges that McGladrey does not assume any duties or obligations to Recipient in connection with such access. Recipient further agrees that it will not disclose or make the Work available to any other parties, except to the extent required by law, regulation, subpoena or other legal process.

Recipient agrees to indemnify and hold harmless McGladrey and its affiliates and their respective partners, principals, officers, directors, employees, contractors and representatives from and against any and all claims, actions, liabilities, damages, losses, costs or expenses (including reasonable attorneys' fees) incurred or suffered by or asserted against McGladrey as a result of Company permitting Recipient access to the Work or Recipient's breach of the agreements herein. Further, Recipient agrees that McGladrey is an intended third-party beneficiary to this release letter, and that McGladrey will have a direct right of action to enforce the terms and conditions of this release letter against Recipient.

RECIPIENT:

By: _____ Date: _____
 (SPECIMEN ONLY – DO NOT EXECUTE)
 [Name/Title]

Appendix C—Professional Qualifications

Michelle Horaney, CPA

Partner, Assurance
McGladrey LLP
Davenport, Iowa
michelle.horaney@mcgladrey.com
563.888.4038

Summary of Experience

Michelle is a partner in McGladrey's public sector industry group. She leads McGladrey's Central region public sector practice and the Firm's national education practice. In addition to her responsibilities as an industry leader, Michelle serves as the audit partner and quality control reviewer on a number of government, higher education and not-for-profit clients, providing audit and advisory services.

Michelle is involved in teaching professional education courses on a national and regional level, both internally and externally. These courses include benchmarking, various higher education programs, and Financial Accounting Standards Board and Government Accounting Standards Board updates and implementation programs. Michelle participates in the Firm's quality control system as a quality control reviewer and an interoffice inspector. She is a reviewer for the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting.

Professional Affiliations and Credentials

- Certified public accountant
- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants
- National Association of College and University Business Officers
- Central Association of College and University Business Officers
- Government Finance Officers Association
- Colorado Government Finance Officers Association
- Native American Finance Officers Association

Education

- Bachelor of Science degree in accounting, Illinois State University
- Master of Business Administration degree, St. Ambrose University

Susan M. Evelsizer, CPA, ASA

Director
Litigation and Investigation Services
McGladrey LLP
309.497.1403
sue.evelsizer@mcgladrey.com
<http://www.mcgladrey.com/litigation>

Summary of Experience

Sue Evelsizer is a director who specializes in business valuation, litigation support and forensic investigations for McGladrey, the fifth largest U.S. provider of accounting, tax, and professional business services. She joined the Peoria office of McGladrey upon graduation in 1981 and is a member of the Valuation Service and Litigation and Investigative Services teams primarily serving clients throughout downstate Illinois, Iowa and Missouri.

Sue has significant experience in business valuation matters performing more than 400 engagements involving closely-held business interests for a variety of purposes including estate and gift tax; business mergers, acquisitions and dispositions; marital dissolutions; and general business planning.

Sue also provides a variety of other financial consulting services to businesses including financial diagnostic reviews and process improvement, benchmarking and analysis, and financial modeling and projections for financing and other business purposes.

Notable Forensic and Litigation Engagements

- Retail/Services, Illinois. Investigation and critic claimant loss profits calculation related to commercial damages for arbitration proceedings. Report submitted to arbitrator.
- Financial Institution, Illinois. Investigation and documentation of employee embezzlement. Report submitted to management and U.S. Attorney's Office.
- Financial Institution, Illinois. Investigation and documentation of employee embezzlement. Informal report submitted to management and the Federal Bureau of Investigations.
- Insurance Company, Tennessee. Investigation and documentation of employee embezzlement. Report submitted to Bonding Company.
- City Government, Illinois. Forensic investigation related to use of Community Development Block Grants funds. Findings presented to city government officials.
- School District, Missouri. Forensic accounting related to employee embezzlement. Submitted report to District's Internal Legal Counsel. Employee waived dismissal hearing. Testimony not required.
- School District, Illinois. Forensic accounting related to employee embezzlement. Submitted report to District's Superintendent and State's Attorney. Testimony not required.

- Mercer County, Illinois. Forensic accounting relating to employee embezzlement. Submitted report to Board of Directors. Testimony not required.
- Marital Dissolution. In the Circuit Court of the Eleventh Judicial District, McLean County, Illinois. Appraisal of interest in professional practice. Settled.
- Marital Dissolution, Illinois. Appraisal of business interests. Settled.
- Marital Dissolution, In the District Court of Iowa in and for Cedar County. Appraisal of business interests. Settled.
- Elston v. Elston, In the Circuit Court for the Fifth Judicial Circuit of Illinois Vermillion County, Danville, Illinois. Investigation of marital assets with respect to an insurance agency, earnings and cash flow issues, value of termination benefits. Submitted Expert Report. Opposing party stipulated to facts of report. Testimony not required.
- Service Company (commercial, industrial and institutional mechanical service), Peoria, Illinois. Discovered employee embezzlement while performing loaned executive services. Settled out of court.
- Financial Institution, Peoria, Illinois. Investigation and documentation of employee embezzlement. Testified before Bonding Company committee.
- Rice v. Rice, Pekin, Illinois. Tazewell County Domestic Relations. Associate Civil Judge Fredrickson. Financial analysis of multiple business entities, with emphasis on earnings and cash flow. Testimony.
- Marital Dissolution, Effingham, Illinois. Financial analysis of multiple business entities, with emphasis on original source of funds. Submitted expert report. Testimony not required.

Publications and Presentations

- White Collar Crime: Core Concepts for Consultants and Expert Witnesses, AICPA, Contributing author, 2012
- Planning for the Best-Business Valuation in Estate and Gift Planning, US Bank, 2010
- Risk Assessment in Local Government, McGladrey & Pullen, LLP, 2009
- Understanding Business Valuations-From Purpose to Product, Lorman Educational Services, 2009
- Business Value, Lorman Educational Services, 2007
- Business Appraisers and Estate Planning, College of Law, University of Illinois, 2007
- Maximize Business Opportunities through Valuation, Inter-Business Issues, 2006
- Perspectives from AICPA/ASA National Business Valuation Conference, RSM McGladrey Inc., 2005
- Financial Modeling and Projections, McGladrey & Pullen, LLP, 2004
- Accounting Careers, Delavan Community High School District 703, 2003
- Business Valuation Methods, Illinois Small Business Development Association, 2003
- Manufacturing: Preservation of Business Value, Inter-Business Issues, 2003
- Financial Consulting 101: Who, What, and Why, McGladrey & Pullen, LLP, 2003
- Alternative Work Schedules, Women in Management, 2000
- Business Value, Bradley University Business Management Class, 2000
- Merger Trends Affect Practice Value, MedNews, Second Quarter 2000
- Understanding the Value of Your Manufacturing Company, Perspective, 1999
- Business Valuation Issues, Peoria Estate Planning Council, 1995
- Do You Know the Value of Your Business, Inter-Business Issues, 1995

Professional Affiliations and Credentials

- Certified Public Accountant (CPA) licensed in Illinois
- Accredited Senior Appraiser (ASA), American Society of Appraisers
- American Institute of Certified Public Accountants
- Illinois Society of Certified Public Accountants
- Institute of Business Appraisers

Education

- Bachelor of Science degree in accounting, with honors, Western Illinois University
- Completed BV Principles of Valuation course series conducted by the American Society of Appraisers

Community Involvement

- Heart of Illinois Big Brothers and Big Sisters, current Board Member, past Treasurer
- Peoria Chamber of Commerce, past chamber ambassador
- Women in Leadership, past president and treasurer
- Delavan Athletic Booster Club, past treasurer

Alex Brandon

Manager

Litigation, Investigation & Valuation Services

McGladrey LLP

alex.brandon@mcgladrey.com

314.925.3809

Summary of Experience

Alex Brandon is a manager who specializes in investigative, litigation support and valuation services for McGladrey. He joined McGladrey in July 2010 and is a member of the litigation, investigation & valuation team's central region. Alex has experience in researching economic and industry data, building financial models, applying forensic techniques, performing financial analyses, and writing reports.

Prior to joining McGladrey, Alex worked as a valuation consultant at CBIZ Valuation Group, LLC. There he was involved with numerous engagements relating to valuations for financial reporting (ASC 805 and ASC 350), estate and gift tax planning, and healthcare consulting purposes.

Notable Engagements

- FDIC mandated examination of community bank to investigate potential fraudulent financial reporting
- Investigation of compensation and benefits paid to shareholders of a middle-market mechanical contractor
- Investigation of claimed asset purchases in relation to a multi-hospital purchase agreement
- Solvency (valuation) analyses of 37 entities in connection with the bankruptcy of a large boat manufacturer
- Calculation of damages (lost profits and increased expenses) for a breach of contract claim connected with a Department of Veterans Affairs project
- Calculation of damages (construction cost overruns, liquidated delay damages, and additional financing costs) for a breach of contract claim between owner and contractor
- Evaluation and rebuttal of damages claim associated with the termination of an employment contract
- Evaluation and rebuttal of damages claims asserted by the plaintiff related to alleged false and misleading marketing activities of the defendants, alleged breach of settlement agreement, and alleged fraudulent inducement of settlement agreement and prepared counter damages claim related to alleged false and misleading marketing activities of the plaintiff
- Evaluation and rebuttal valuation analysis of an aerospace company in connection with a breach of contract claim
- Evaluation and rebuttal of damages claim asserted by the plaintiff in an inverse condemnation litigation matter involving a dairy farm

Publications and Presentations

- "Common Mistakes to Avoid in Calculating Lost Profits in Breach of Contract Matters," Sandberg Phoenix & von Gontard P.C., April 16, 2012 (approved for Missouri CLE credit)

Professional Affiliations

- Accredited Senior Appraiser (ASA), American Society of Appraisers
- Association of Certified Fraud Examiners

Education

- Bachelor of Science in Business Administration, University of Missouri
- Master of Business Administration, University of Missouri

Tony Bartlett, CFE, MBA

Senior Associate
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Summary of Experience

Tony is a Certified Fraud Examiner and a Senior Associate in the Litigation and Investigation Consulting Services practice. He joined the Peoria office of McGladrey in September 2005 primarily serving clients in Illinois, Iowa and Missouri. Tony has worked on a wide variety of forensic and litigation support assignments, including:

- Investigation of possible misappropriation of funds by a CEO in a vegetable juice processing company
- Financial analysis of ethanol plants in relation to allegations of dumping
- Investigation of capital expenditures in relation to covenants included in an asset purchase agreement
- Investigation of possible misappropriation of funds by several insurance agents.
- Investigation of possible misappropriation of funds by a county employee.
- Investigation of excessive personal expenses being charged and misrepresented on expense reports by a company officer in a technology firm.
- Preparation of analysis of lost profits and reasonable royalty damages claims related to a dog grooming tool.
- Investigation of marital assets with respect to an insurance agency, earnings and cash flow issues, value of termination benefits.
- Financial analysis of multiple business entities, including cash flow and business valuation issues.
- Financial analysis of multiple business entities, with emphasis on original source of funds.
- Appraisal of interest in veterinary practices for a divorce matter.
- Evaluated damages calculated by the opposing expert and the methodology used to determine those damages in a matter against one of the world's largest integrated oil companies.
- Investigation of a whistleblower accusation of financial statement irregularities by a Fortune 500 company.
- Calculation of lost profits and business value related to a greenhouse.
- Evaluated damages calculated by opposing expert in a matter related to a gas processing company.
- Evaluated damages calculated by opposing expert in a matter related to a stove manufacturing company.

Professional Accreditations

- Certified Fraud Examiner

Professional Affiliations

- Association of Certified Fraud Examiners

Education

- Master of Business Administration, St. Ambrose University
- Bachelor of Arts in Administration of Justice, Southern Illinois University

Community Involvement

- Deputy Chief, Marquette Heights Fire Department
- Former Treasurer of the Board of Directors, Court Appointed Special Advocates (CASA)

