STATE OF NEVADA

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November 30, 2012

Mr. Karl E. Hausafus, General Counsel
Arnerich Massena, Inc.
2045 NE Martin Luther King Jr. Blvd
Portland, OR 97212

Dear Mr. Hausafus:

Please allow me to introduce myself. My name is Shane Chesney, and I am a Senior Deputy Attorney General with the State of Nevada Attorney General's Office. I was recently assigned as counsel for the Nevada Deferred Compensation Program. Your letter dated November 28th, 2012 was forwarded to me for response.

While we appreciate the time spent detailing hours expended and hourly billing rates of Arnerich Massena related to the RFP project, the RFP project was bid on and ultimately contracted as a line-item price in the amount of $75,000 to be billed in full upon completion of the project (see attached - Attachment DD page 14, section 3). In relation to termination of the contract prior to completions of the scope of work, section 10(ii) states that "Contractor shall satisfactorily complete work in progress at the agreed rate (or a pro rata basis if necessary) if so requested by the contracting agency" at the time of termination. Arnerich Massena terminated its contract with the Nevada Deferred Compensation Program effective August 20, 2012 (see attached) prior to the completion of that project. As such, a pro rata billing for that project as a whole was the expectation.

While the Program does not dispute that the RFP was updated and released, that formal reports were provided summarizing the various vendor responses, and for that matter that a considerable amount of work was put into the project by your firm, the remaining tasks associated with completing that line-item within the contract, were still substantial. Those included but are not limited to, contract negotiation, development of a transition plan, and of course development of an investment line up to be offered to the participants by the new Record Keepers - all left undone at the time of contract termination, and some of the most important tasks related to the project. The Committee Chairman has had an opportunity to discuss the project with other investment consultant professionals, and has received estimates that the remaining

work represents work in the neighborhood of 40 to 50 percent of the overall workload contained within that project.

As with your Company, the Program does not want to drag this out any longer than needed as the decisions by both parties have been described as unprecedented. Using a conservative estimate that the remaining duties related to the project were approximately 40% of the total, the Program would submit a counter offer of a total cost for work completed towards the project of $45,000. The Program meets for its regularly scheduled meeting on December 13th, and will need to approve final payment if that payment is to be made prior to its next scheduled meeting in February of 2013. If approved the Program would need a corrected invoice detailing the $45,000 less the credit of $22,500 for a total due in the amount of $22,500 at least 3 working days prior to that meeting.

Please do not hesitate to contact me directly at 775-684-1215 if you would like to discuss this. Otherwise we look forward to a final billing to put this item to rest.

Sincerely,

CATHERINE CORTEZ MASTO
Attorney General

By: _____
Shane S. Chesney
Senior Deputy Attorney General
(775) 684-1215

SSC/lsd
cc: Scott Sisco, Chairman NDCC