



Alvarez & Marsal
Global Forensic and Dispute Services, LLC
Columbia Square
555 Thirteenth Street, NW, 5th Floor, West
Washington, DC 20004
Phone: +1 202 729 2100
Fax: +1 202 729 2101

PRIVILEGED & CONFIDENTIAL
Subject to the Attorney-Client Privilege /
Attorney Work Product Doctrine

March 25, 2014

Preston L. Pugh, Esq.
Partner
Pugh, Jones & Johnson, P.C.
180 North LaSalle Street, Suite 3400
Chicago, Illinois 60601-2807

Re: Northern Illinois University – Internal controls / efficiency review, external investigation assistance and related matters (the “Investigation”)

Dear Mr. Pugh:

This letter confirms the engagement terms among Alvarez & Marsal Global Forensic and Dispute Services, LLC (“A&M”) and Pugh, Jones & Johnson, P.C. (“Counsel”) as legal advisors to Northern Illinois University (“University”) in connection with the Investigation (this “Engagement”). Unless you notify us in writing prior to A&M commencing services, the terms hereof will be deemed accepted as of the date you first requested that we commence providing such services.

I. Description of Services

A&M shall assist the University in an assessment of certain financial and operational processes and procedures to gauge efficiency and potential vulnerabilities, the scope of which will be determined, at Counsel’s instruction, by the University’s Interim CFO. A&M shall also assist Counsel with associated forensic accounting needs related to its representation of the University in an ongoing government investigation, as and when requested.

The specific procedures to be performed by A&M will be established based on discussions with you and/or management as the Engagement progresses and as additional information is obtained. Because A&M will be acting as independent consultants, its reports or advice must be objective and impartial. Counsel and the University acknowledge that no reliance shall be placed on draft reports or preliminary conclusions or advice, whether written or oral. A&M agrees to perform its work in consultation with Counsel and/or Management but A&M shall have sole control over the substance of its conclusions and the form and content of its reports.

March 25, 2014

Preston L. Pugh, Esq.

Re: Northern Illinois University – Internal controls / efficiency review, external investigation assistance and related matters

Page | 2

The University is responsible for:

- 1) The sufficiency of the Investigation and the accuracy of the information provided to us;
- 2) Identifying the laws and regulations applicable to the University's activities and ensuring compliance therewith;
- 3) The ultimate decision on the appropriate application of generally accepted accounting principles or other accounting standards for an actual transaction even if A&M provides related advice and support; and
- 4) The University's reporting and similar obligations to lenders, regulators, and other stakeholders.

A&M has not been engaged to:

- 1) Perform an evaluation of internal controls and procedures relating to the accuracy of financial reporting and disclosures. However, we will communicate any opportunities to enhance the effectiveness and efficiency of the University's controls that comes to our attention; or
- 2) Render any legal advice;
- 3) Serve as an expert witness or prepare expert material for production in any action.

II. Engagement Staffing and Fees

Marc Sherman, an A&M Managing Director, will be responsible for the Engagement on behalf of A&M. Other A&M professionals will also be working on the Engagement, as appropriate. A&M personnel providing services to you may also work with other A&M clients in conjunction with unrelated matters.

A&M bills for its professional services on the basis of its hourly rates, which shall be billed in this engagement at a blended rate of \$375 per professional hour (A&M's standard rates range from \$250 - \$650 per hour). The rate shall be subject to adjustment annually at such time as A&M adjusts its rates. A&M agrees to inform Counsel promptly of any rate adjustment.

A&M also will bill for reasonable direct out-of-pocket expenses. In addition, A&M shall be reimbursed for the reasonable fees and expenses of its counsel incurred in connection with the enforcement of this agreement.

All fees and expenses will be billed and payable on a monthly basis or, at A&M's discretion, more frequently. Invoices will be submitted to the University, who has sole responsibility for payment, and directed to the CFO's office. Payment is due upon receipt and is not contingent

March 25, 2014

Preston L. Pugh, Esq.

Re: Northern Illinois University – Internal controls / efficiency review, external investigation assistance and related matters

Page | 3

upon the outcome or final resolution of this Engagement.

A&M requires that all outstanding fees and expenses incurred be paid before the issuance and delivery of any report, attendance at any deposition or hearing or the rendering of any deposition or trial testimony or other sworn statement/submission.

A&M shall waive the requirement that The University remit a retainer so long as invoices continue to be paid when due. A&M reserves right to require a retainer of \$50,000, at its option, at any time an invoice becomes past due, which retainer will be applied to the last invoice and any remainder will be refunded. A&M also reserves the right to discontinue its work at any time an invoice becomes past due until all past due invoices and the retainer are paid.

III. Term

The Engagement shall be deemed to have commenced on the date the services described herein were first requested and may be terminated by any party without cause by giving 30 days' written notice to the other parties. In the event of any such termination, any fees and expenses incurred by A&M shall be remitted promptly.

IV. Relationship of the Parties and Regulatory Body Standards

The parties intend that an independent contractor relationship will be created by this engagement letter. Unless otherwise agreed in writing, A&M shall be entitled to rely on information provided by the University, the Committee and/or Counsel without any duty on the part of A&M to independently verify the accuracy of such information. Further, the Engagement shall not constitute an audit, review, or compilation that is subject to the rules of the AICPA, SEC, the PCAOB, or other state, national, or international professional or regulatory bodies. A&M will comply with applicable professional standards.

V. No Third Party Beneficiary

The University, the Committee, and Counsel agree that, without A&M's prior written permission, there are no third party beneficiaries. Absent the consent of A&M or as required by law, no A&M work product (written or oral) generated in connection with this Engagement shall be made public, including by filing with any court.

VI. Conflicts and Related Understandings

A&M has performed an internal search for any potential conflicts based upon the names of the parties that you have provided who have an interest in the subject matter of the Investigation.

March 25, 2014

Preston L. Pugh, Esq.

Re: Northern Illinois University – Internal controls / efficiency review, external investigation assistance and related matters

Page | 4

Nothing has come to our attention that, in our judgment, would impair our ability to objectively serve you in this Engagement. Counsel, the Committee and the University agree that they will inform us promptly of additional parties with an interest in the Investigation or of name changes from those parties whose names were provided by Counsel. Because A&M is an international consulting firm, it is possible that A&M may have rendered or will render services to or have associations with other entities or people which had or may have some connection with the Investigation. A&M will not represent, in this Investigation, the interests of any such entities or people in connection with the Investigation without your prior consent.

We will not be prevented or restricted by this Engagement from providing services in matters unrelated to the Investigation, and you agree to waive any conflict of interest that may arise in connection with any such other engagement.

VII. Confidentiality

A&M agrees that it will take steps to limit access to Engagement information to those who have a need to know such information. All obligations as to non-disclosure shall cease as to any part of such Engagement information to the extent that 1) such information is or becomes public other than as a result of a breach of this provision, 2) as directed by the University, the Committee, and/or Counsel, or 3) as required by law.

If any person or entity requests or subpoenas any information or materials relating to the Investigation, we will inform Counsel and the University of such request or subpoena. The University agrees to reimburse A&M for any time and expenses related to the request or subpoena.

VIII. Limitation on Liability

In no event shall A&M, its affiliates, and their partners, principals, and personnel be liable to the Committee, the University, or Counsel, whether a claim be in tort, contract or otherwise, for any amount in excess of the total professional fees paid pursuant to this agreement unless the damages were primarily and directly from the fraud or willful misconduct of A&M relating to such services. In no event shall A&M or its personnel be liable for any consequential, special, indirect, incidental, punitive, or exemplary loss, damage, or expense relating to this Engagement (including, without limitation, loss of profit, data, business or goodwill or similar damages) even if advised of the possibility of such damages. In no event shall A&M be responsible for damage to computers or electronic media of any type, including tapes, CDs, DVDs, or hard drives, etc.

IX. Indemnification

March 25, 2014

Preston L. Pugh, Esq.

Re: Northern Illinois University – Internal controls / efficiency review, external investigation
assistance and related matters

Page | 5

The University, the Committee, and Counsel agree to hold harmless and indemnify A&M and its affiliates (including their officers, partners, principals, members, managers, employees, and agents) against all claims, damages, and costs (including reasonable attorney's fees and disbursements) arising out of this Engagement, except for such claims, damages and costs resulting from any actions by A&M constituting fraud or willful misconduct.

X. Disputes

This agreement (a) shall be governed and construed in accordance with the laws of the State of Illinois, regardless of the laws that might otherwise govern under applicable principles of conflict of laws thereof; (b) incorporates the entire understanding of the parties with respect to the subject matter hereof; and (c) may not be amended or modified except in writing executed by all parties hereto. Any claims and disputes arising under or relating to this agreement or the services will be submitted to the American Arbitration Association ("AAA") for binding arbitration before three (3) arbitrators, unless the use and choice of a single arbitrator is otherwise mutually agreed to by the parties, and prompt resolution pursuant to the Federal Arbitration Act (Title 9 of the United States Code) and the AAA's published Commercial Arbitration Rules in effect on the date of this agreement. A&M and the University each shall nominate one arbitrator and the two arbitrators so appointed shall appoint the third arbitrator. A&M and the University agree to this exclusive remedy, and to be bound by the results of arbitration.

The arbitration hearing will be held in New York, New York. Notwithstanding the foregoing, either party shall be entitled to seek injunctive or other equitable relief from any court of competent jurisdiction, without the need to resort to arbitration. To the extent that the rules of arbitration set forth above permit the commencement of any judicial proceeding, each party consents and submits to the personal jurisdiction of and exclusive venue in the federal courts with jurisdiction over the Northern District of Illinois or, if such courts lack subject matter jurisdiction, in the Illinois state courts with jurisdiction over Cook County, Illinois. Each party waives all defenses of lack of personal jurisdiction and forum non conveniens in such courts. Any action against A&M must be brought within 18 months after the services giving rise to the action are rendered.

If any term or provision of this agreement is determined to be illegal or unenforceable, such term or provision shall be deemed stricken, and all other terms and provisions shall remain in full force and effect.

XI. Miscellaneous

Unless otherwise agreed, A&M shall retain all documents received and workpapers prepared in accordance with our retention policy.

March 25, 2014

Preston L. Pugh, Esq.

Re: Northern Illinois University – Internal controls / efficiency review, external investigation
assistance and related matters

Page | 6

Sections V, VII, VIII, IX, X, and XI of this agreement shall survive the expiration or termination of this agreement.

This agreement contains the entire understanding between the parties hereto, including the University and the Committee. No term hereof shall be deemed waived, altered, or amended other than by a document in writing signed by the party against whom such waiver, alteration, or modification is sought to be enforced.

This agreement may be signed in one or more counterparts (by original or facsimile or electronic signature) and each of which, when so executed, shall be deemed to be an original, and such counterparts together shall constitute one in the same instrument.

The parties acknowledge that: (i) A&M may correspond or convey documentation via Internet e-mail unless Counsel or the University expressly requests otherwise, (ii) A&M has no control over the performance, reliability, availability, or security of Internet e-mail, and (iii) A&M shall not be liable for any loss, damage, expense, harm or inconvenience resulting from the loss, delay, interception, corruption, or alteration of any Internet e-mail due to any reason beyond A&M's reasonable control.

March 25, 2014

Preston L. Pugh, Esq.

Re: Northern Illinois University – Internal controls / efficiency review, external investigation
assistance and related matters

Page | 7

If the foregoing is acceptable to you, kindly sign the enclosed copy to acknowledge your agreement with its terms.

Very truly yours,

ALVAREZ & MARSAL GLOBAL FORENSIC AND DISPUTE SERVICES, LLC

By: 

Title: Managing Director

AGREED TO AND ACCEPTED:

Pugh, Jones & Johnson, P.C.

By: 

Title: Partner

AGREED TO AND ACCEPTED:

Northern Illinois University 

By: 

Title: Vice President and General Counsel