

### **Cost Information Pertaining to the Attached Engagement Letter**

The attached Board of Regents' Engagement Letter with consulting firm Deloitte to perform a comprehensive, system-wide operational and programmatic review of Iowa's public universities outlined the deliverables for Phase 1 and set a fixed price basis for the fees of \$1,400,000. Progress billings were made, and upon receipt of the Prioritized List of Opportunities in May, 2014, a final invoice was dated May 28, 2014, bringing total billings to \$1,400,000.

The costs outlined in the agreement were exclusive of out of pocket expenses and applicable taxes. Through May 24, 2014, expenses for lodging, meals, travel, telecommunications and miscellaneous total to \$220,273.

No invoices have been received to date for Phase 2, which will be billed on a time and materials basis in the amount of \$1,917,505, excluding out of pocket expenses and applicable taxes.

Dated 07/31/14

February 17, 2014

Robert Donley  
Executive Director  
Board of Regents  
State of Iowa  
11260 Aurora Avenue  
Urbandale, IA 50322

**COPY**

Re: Efficiency and Transformation Review for the Board of Regents, State of Iowa

Dear Mr. Donley:

Deloitte Consulting LLP (“Deloitte Consulting”) is pleased to submit this Engagement Letter to provide professional services to the Iowa Board of Regents. This letter specifies the services we propose to support the Board’s efficiency and transformation review.

## Our Understanding

The Board of Regents, State of Iowa (“the Board”) is seeking management consulting support to perform a comprehensive, system-wide operational and programmatic review of Iowa’s public universities. This review should be conducted across administrative and academic support services and program, at both the institutional and system level. This review will include identifying opportunities to reduce costs, improve efficiency, and/or increase revenue for Iowa’s State System of Higher Education. These services should be performed in alignment with the Board’s overarching mission to:

- Provide high-quality accessible education to students
- Engage in high-quality research, scholarship, and creative activities to enhance the quality of life for Iowans and society in general
- Provide needed public services
- Create and support economic development in partnership with public and private sectors

Students, faculty and staff, along with suppliers, may be considered inputs to Iowa’s university system. Individuals leaving with education and the new knowledge produced through research may be considered outputs. The three major universities—the State University of Iowa at Iowa City, Iowa State University of Science and Technology at Ames, and the University of Northern Iowa at Cedar Falls—each graduate individuals with a unique blend of skills, based on the programs they provide. To best assess the system’s efficiency, there is a need to assess both the operational efficiency of academic and administrative support services and the alignment academic program to marketplace needs and the objectives of the State of Iowa.

## Objectives

The Board of Regents is dedicated to delivering a quality education at an affordable cost to students and their families. The Board seeks to analyze the system’s organizational alignment with the overall Board of Regents mission and strategy to achieve additional fund reductions and reallocations. The Board will lead an assessment of the Regent System and its Universities and Board Office to determine alignment to the overall educational mission and provide an alternative organizational structure that may include but is not limited to centralizing services/programs, de-centralizing services/programs, program review, regional partnerships, developing shared services for common functions/programs, sourcing opportunities and better alignment/deployment of resources.

The Board has defined the following guiding principles to lead the effort:

- Processes for initiative identification and prioritization must be sensitive to key aspects of university culture and support the missions of each campus.
- All cost reduction decisions should be communicated clearly and systematically.
- Decision process and criteria for choosing reductions should be transparent to all parties – Regents, university administration, faculty, staff and students.
- Reductions in costs in one area should not shift costs to another.
- Reductions and potential reallocations will be judged on the basis of alignment with the Board’s and the universities’ strategic plans.
- The revenue impact of cost reductions must be understood.
- Revenue generation options should be considered as part of the study.

## Project Scope

The table below describes the functional areas in scope for this project. These functional areas will be validated with the Board through a combination of the two associated deliverables - Strategic Choices Lab conducted in Phase Zero and the Board approved detailed action plan completed in Phase One (the “Detailed Action Plan”). The potential areas of review provided in the table are examples that will be used in discussion with the Board in the development of the two aforementioned deliverables.

The table below presents the broad topic areas of review. The Detailed Action Plan will specifically identify the related activities, durations, milestones and the Board’s related responsibilities (meetings, input, approvals and similar activities).

Functional Area	Potential Areas of Review
Human Resources	Organizational and Employee Development  Recruitment and Onboarding  Consolidation of Services  Employee Service Center/Customer Support

Functional Area	Potential Areas of Review
Student Services/Academic Support Programs	Financial Aid Student Career Counseling/Placement Student Billing Registrar/Transcript Processing
Marketing & Advertising	Brand Awareness Market segmentation
Information Technology Services	Infrastructure and System Architecture Campus Support/Help Desk Services Enterprise Systems Email/Active Directory Services IT Product Standardization and strategic sourcing Security
Finance & Administration	Accounts Payable/Expense Processing Sourcing & Procurement Budgeting Treasury Operations Accounts Receivable Cash Management
Academic Programs	Competitiveness and Demand Productivity and Efficiency Alignment with Mission and Strategy Duplication Academic Scheduling and Resource Stewardship
Research	Staffing Reporting Efficiencies

Functional Area	Potential Areas of Review
	Technology Transfer and Licensing
	Pre-Award Support Model
	Post-Award Support Model
Facility Operations, Maintenance, and Construction	Facilities Planning
	Space Development and Utilization
	Stewardship
Auxiliaries	Residence Services
	Athletics
	Parking and Transportation Enterprises
	Utility Systems
	Student Unions
Advancement	Fundraising Staffing Model
	Campaign Effectiveness

## Approach

To best address Iowa’s needs for a comprehensive review across all three universities, Deloitte Consulting will execute the following approach to promote the achievement of maximum results within the defined timeframe while also supporting the critical need to engage administrators, faculty, staff, and students throughout the program.



A description of each phase to include timing, objectives, activities and deliverables is provided below.

**Phase Zero, Planning**, is expected to take approximately 4 weeks and is scheduled to begin in mid-February. Phase Zero will consist of working closely with the Board to gain alignment on a Detailed Action Plan, the program vision and objectives, the scope of the Efficiency Assessment, the key stakeholders, the program governance structure, the program management structure and the data collection requirements. Our approach will commence with a no-cost facilitated alignment session called

Deloitte Consulting’s Strategic Choices Lab - an in-person and in-depth day-long session led by expert Deloitte Consulting facilitators with significant experience leading discussions with senior leaders regarding the strategic choices that shape the vision and mission our client organizations.

**Phase Zero, Step 1: Develop Draft Detailed Action Plan** – During this step we will develop a plan that details the scope of work and contains the objectives, phases, steps, activities, milestones, timelines, resources, and assumptions for Phase 1 of the Program.

<b>Objectives</b>	<ul style="list-style-type: none"> <li>• Gain alignment and understanding of key challenges</li> <li>• Identify and prioritize strategic priorities</li> <li>• Develop a Draft Detailed Action Plan based on available information</li> </ul>
<b>Activities</b>	<ul style="list-style-type: none"> <li>• Develop Draft Detailed Action Plan based on available information</li> <li>• Schedule visits with all three Iowa universities to meet with key stakeholders</li> <li>• Conduct Strategic Choices Lab to review and validate Detailed Action Plan:                             <ul style="list-style-type: none"> <li>- Frame</li> <li>- Explore</li> <li>- Execute</li> </ul> </li> <li>• Refine Draft Detailed Action Plan based on outputs of Lab</li> </ul>
<b>Deliverables</b>	<ul style="list-style-type: none"> <li>• Draft Detailed Action Plan</li> </ul>

**Phase One, Diagnostics/Benchmarking**, is expected to take approximately 10 weeks and is scheduled to begin in mid-March. Phase One will include a broad review across in-scope Administrative and Academic areas to identify and prioritize “quick win” and longer-term transformational opportunities to reduce costs and increase efficiency and effectiveness across Iowa’s universities. As a result of comprehensive analysis and targeted benchmarking, and an infusion of leading practices, Deloitte Consulting will produce a comprehensive list of opportunities that could be implemented to reduce costs, increase revenue, and improve service within Iowa’s individual universities and across the entire system. Working with the Board, we will assist in the identification and prioritization of a high-value list of opportunities that will be further assessed and evaluated during the next phase of the program. The Draft Detailed Action Plan shall be completed and mutually agreed to by the parties within 7 business days of the start of Phase One. Upon acceptance of the Detailed Action Plan Deliverable, it shall become the controlling document for purposes of scope, activities and schedule. Delays in completing the Detailed Action Plan or changes to the project scope, price and/or project duration/schedule shall be addressed via the Change Order process concurrently with finalization and acceptance of the Detailed Action Plan.

- **Phase One, Step 2: Conduct Initial Assessment & Benchmarking** During this step we will use a hypothesis-based approach to identify and quantify a comprehensive list of potential opportunities across all review areas in scope.

<b>Objectives</b>	<ul style="list-style-type: none"> <li>• Identify opportunities to reduce costs, improve service delivery, and generate revenue across Iowa’s universities</li> </ul>
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<b>Activities</b>	<ul style="list-style-type: none"> <li>• Conduct Program Kick-off and data requests</li> <li>• Conduct onsite meetings at each of Iowa's three universities to familiarize key stakeholders with the program and to elicit input</li> <li>• Develop list of high-level efficiency and transformation hypotheses</li> <li>• Collect and analyze data to document current state baseline (financial, organizational, operational, and technological), identify key challenges, key strengths, and potential improvement areas</li> <li>• Identify leading practices and performance benchmarks</li> <li>• Test and validate hypotheses against current state assessment</li> <li>• Develop catalogue of all identified opportunities</li> </ul>
<b>Deliverables</b>	<ul style="list-style-type: none"> <li>• Program Overview Presentation</li> <li>• Catalogue of opportunities to reduce costs, improve service delivery, and generate new revenues</li> </ul>

- **Phase One, Step 3: *Identify & Prioritize Opportunities*** During this step we will conduct additional review and analysis of identified opportunities to establish and prioritize a catalogue of opportunities that are aligned with the Board's strategic objectives

<b>Objectives</b>	<ul style="list-style-type: none"> <li>• Identify a focused list of prioritized opportunities to guide Phase Two activities including the development of a future state operating model and more detailed business cases</li> </ul>
<b>Activities</b>	<ul style="list-style-type: none"> <li>• Define prioritization criteria, including risk assessment</li> <li>• Review, validate, and prioritize opportunities with Iowa leadership</li> </ul>
<b>Deliverables</b>	<ul style="list-style-type: none"> <li>• Prioritization criteria and matrix</li> <li>• Prioritized list of opportunities to reduce costs, generate new revenue, or improve service delivery</li> </ul>

**Phase Two, Design/Solution Development and Implementation Outline**, is expected to take approximately 11 weeks and is scheduled to begin in mid-May. Phase Two will include creating business cases for high-priority opportunities and working closely with leadership to develop a high-level future state operating model that will provide an overarching depiction of the key elements and changes to Iowa's university system that are envisioned as part of an overall transformation. Deloitte Consulting will develop business cases to further analyze the selected high-priority opportunities that may be part of the future transformation. In conjunction, Deloitte Consulting will work with leadership to create a future state operating model that depicts a high level overview of the governance, organizational structure, processes, technology, and performance management for the transformed university system. This future state operating model will use the results of the Phase One diagnostic and benchmarking as key inputs for creating this transformational framework and will be updated as needed to reflect any changes that result from the deeper business case analysis.

The final list of high-priority opportunities will then be sequenced across a graphical implementation roadmap and built into a detailed implementation action plan. This detailed implementation action plan will outline the steps required to realize the cost savings, service quality improvements, and revenue generation opportunities identified in Phase One. Deloitte Consulting will continue to work closely with the Board and university representatives during this phase.

- **Phase Two, Step 4: *Construct Business Cases and Future State Operating Model*** develop a business case for each of the prioritized opportunities to quantify the estimated impact, as well as identifying the operating model elements that may need to be established or modified to realize successful implementation

<b>Objectives</b>	<ul style="list-style-type: none"> <li>• Quantify the estimated impact and effort required to implement each of the prioritized opportunities, using detailed business cases</li> <li>• Identify specific recommended changes, and a detailed implementation roadmap to describe how the desired results can be achieved</li> </ul>
<b>Activities</b>	<ul style="list-style-type: none"> <li>• Gather detailed data and conduct additional consultations with university representatives</li> <li>• Document existing organizational structures/process flows for key areas of potential change</li> <li>• Establish metrics to measure opportunity success</li> <li>• Analyze data and develop business cases</li> <li>• Develop future state system-wide operating model</li> <li>• Review and refine business cases and operating model based on leadership input and vision</li> </ul>
<b>Deliverables</b>	<ul style="list-style-type: none"> <li>• Current State Organizational Structure / Process Flows for key areas of potential change</li> <li>• Business Cases</li> <li>• Enterprise Operating Model</li> </ul>

- **Phase Two, Step 5: *Create Implementation Roadmap and Action Plan*** further refine and develop the action/implementation plans outlining the steps and activities required for the Board to achieve the cost savings, quality service improvements and revenue generation opportunities identified in Phase One

<b>Objectives</b>	<ul style="list-style-type: none"> <li>• Create an implementation action roadmap to realize the proposed recommendations</li> </ul>
<b>Activities</b>	<ul style="list-style-type: none"> <li>• Develop implementation roadmap and action plan</li> <li>• Review and validate with the Board and university representatives</li> <li>• Final presentation of findings to Board</li> </ul>
<b>Deliverables</b>	<ul style="list-style-type: none"> <li>• Implementation roadmap and action plan</li> <li>• Presentation of findings to the Board and Final Report</li> </ul>

**Phase Three, Implementation and On-going Consultation**, this support would focus on implementing the chosen improvement opportunities and realizing the benefits. This would include developing the

detailed process designs and detailed organizational and technological requirements needed to implement the future-state operating model and associated improvement opportunities. To support ongoing implementation efforts, Deloitte Consulting would establish a Results Management Office (RMO) to drive, coordinate, support, measure and track implementation activities; conduct knowledge transfer as needed; and provide focused support to realize outcomes in key areas and measure the success of the program.

<b>Objectives</b>	<ul style="list-style-type: none"> <li>• As required, provide the Board with the support and tools required to design, test and launch a suite of future state solutions based on the recommendations presented in Phase Two</li> </ul>
<b>Activities</b>	<ul style="list-style-type: none"> <li>• Establish Results Management Office (RMO)</li> <li>• Design detailed solutions</li> <li>• Test and refine solutions</li> <li>• Launch, track, and measure</li> </ul>
<b>Deliverables</b>	<ul style="list-style-type: none"> <li>• To be determined in collaboration with the Board based on the recommended changes described in Phase Two.</li> </ul>

### Assumptions

The following is a list of assumptions and expectations upon which Deloitte Consulting is relying to perform the services outlined in this Engagement Letter. Additional efforts required because of deviations from the Project Assumptions are not in scope of the services and may require additional fees to complete.

- The Board, the associated Universities and their associated staffs will support the project scope, purpose, objectives and approach as agreed to in the Board approved Detailed Action Plan and associated contract.
- The Board will provide a day-to-day qualified Program Manager at their level plus ensure that each University provides a qualified Program Manager as well as to work with Deloitte Consulting to navigate the campus environment, schedule meetings, collect required data, and assist with the execution of the program.
- The Board and the Universities will provide access to program participants to meet the proposed program timeline, as established in the Detailed Action Plan, and any necessary follow-up will be available during the program
- The Board will work closely with the Deloitte Consulting to 1) make timely decisions on outstanding issues, 2) participate in analysis and recommendation development activities; and 3) develop, review, and approve work products/deliverables
- The Board and Universities will confirm availability of and access to on-site workspace (e.g., cubes, conference rooms), and access to phones, Internet, and printers during site visits.
- The primary work location for the program will be a combination of the Board’s office, all three University locations and the home offices of the Deloitte Consulting staff that are engaged on this effort. Work location for each week will be primarily determined in concert with the activities of the Board approved Detailed Action Plan for each Phase.

- When on-site, the Deloitte Consulting personnel will average of four (4) days a week (typically Monday through Thursday) and will work remotely from their respective local office on Fridays.
- Deloitte Consulting will be given timely access to current state data related to the in-scope functions specified in this RFP and specified in the Detailed Action Plan.
- The Board will provide Deloitte Consulting staff access to requested data and documentation in electronic format which provides ease of use and manipulation for analysis.
- Deloitte Consulting will provide the outputs/deliverables as agreed upon in the Board approved Detailed Action Plan. Upon acceptance, the Deliverables shall be controlling and Deloitte Consulting shall rely upon the same for all future performance.
- The Board will resolve any pushback or potential issues that are raised by the Universities, specific departments or other program participants/stakeholders.
- The Board will take the lead in communications with the Universities regarding their effort. Deloitte Consulting will support through the development of the communications plan as well as the program management and governance structure activities described in the approved Detailed Action Plan prior to each Phase.
- The Board will take the lead in communicating with any type of employee organizations and any HR or Labor related matters associated with this program.
- Client agrees that Deloitte Consulting's performance of the work in Phases Zero, One or Two does not create or otherwise give rise to an organizational conflict of interest that would preclude Deloitte Consulting from performing the work contemplated in Phase Three.

### **Change Orders**

If any of the following events occur while Deloitte Consulting is engaged to provide the Services (each a "Change Order Event"), Deloitte Consulting shall be entitled to a Change Order to adjust the project's requirements, timeline or deliverables and to compensate Deloitte Consulting for actual and anticipated additional effort at Deloitte Consulting standard billing rates, plus reasonable incurred expenses. Change Order events include, but are not limited to the following:

- The scope, approach or timing of the Project or the Services change,
- Delays are encountered that are beyond the reasonable control of Deloitte Consulting,
- A project assumption proves to be invalid (or is not achieved in whole or part, through no fault of Deloitte Consulting),
- Board fails to meet its obligations as set forth herein (or as set forth in the applicable Detailed Action Plan).

Deloitte Consulting will notify the Board, in a reasonable period of time after becoming aware of a Change Order Event. Notwithstanding anything to the contrary in this Agreement, if the parties are unable to reach a complete agreement on a Change Order within 15 days of the Board being notified of a Change Order Event that has an adverse impact on Deloitte Consulting, Deloitte Consulting may, at its option, suspend or terminate the Services upon written notice to the Board. Deloitte Consulting's right to terminate shall be in accordance with Attachment A, Paragraph 3. Change Orders to this Agreement will only be effective when signed by authorized representatives of each party.

### **Fees, Expenses and Payment Terms**

Deloitte Consulting will perform its Services on a combination of fixed price, time and materials, and/or value based billing basis across the three different phases of the engagement. A description of the fees expenses and payment terms for each phase is presented below.

**Phase One:**

Deloitte Consulting will perform services associated with Phase I on a fixed price basis in the amount of \$1,400,000 excluding out of pocket expenses and applicable taxes. Deloitte Consulting’s fixed price assumes that that Phase One will be completed in 10 weeks from the formal start date of the engagement and that the Detailed Action Plan’s schedule and activities will be consistent with that 10 week duration and allocated resources. Any changes to the foregoing that are anticipated to impact the fixed price for Phase 1 will be identified in the process leading to the approval and acceptance of the Detailed Action Plan.

Deloitte Consulting will invoice the Board using the following deliverable schedule over the 10 week period of performance.

Deliverable Schedule	% of Fees
Communications Plan	5%
Program Overview Presentation	10%
Catalogue of Opportunities	30%
Prioritization Criteria and Matrix	25%
Prioritized List of Opportunities	30%

For Phase 1—the Detailed Action Plan will identify the target due dates for the deliverables so that the anticipated invoicing dates and the payment amounts are known once the Plan is approved. Below are two tables which estimate projected invoicing months and amounts based on the schedule provided in the proposal. Additionally, assumptions are provided:

- All deliverables will be developed according to the schedule in the proposal
- Fees for each university will be distributed evenly
- Estimates do not include expenses

Deliverable	% of Fee	Fee Amount Related to Deliverable	1/3 of Fee	Estimated Month Complete	Number of Weeks from Phase 1 Kickoff
Communications Plan	5%	\$70,000	\$23,333	March	2
Program Overview Presentation	10%	\$140,000	\$46,667	March	1
Catalogue of Opportunities	30%	\$420,000	\$140,000	May	8
Prioritization Criteria and Matrix	25%	\$350,000	\$116,667	May	9
Prioritized List of Opportunities	30%	\$420,000	\$140,000	May	10

**Phase Two**

Deloitte Consulting estimates that it will perform services associated with Phase Two on a time and materials basis in the amount of \$1,049,550 excluding out of pocket expenses and applicable taxes.

Level	Rate	Estimated Hours	Estimated Fees
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Principal	\$450	54	\$24,300
Director	\$425	244	\$103,700
Sr. Manager	\$375	521	\$195,375
Manager	\$335	505	\$169,175
Sr. Consultant	\$295	739	\$218,005
Consultant	\$235	1021	\$239,935
Analyst	\$195	508	\$99,060
		<b>3,952</b>	<b>\$1,049,550</b>

Based on our previous experiences with similar projects, the estimate above allows for the continued development of 10-20 approved opportunities emerging from Phase One. Once the Board approves opportunities for Phase Two, Deloitte Consulting will revise the Detailed Action Plan to reflect the defined scope and revise the estimated cost of services above and submit to the Board for approval. No work will begin on Phase Two until the parties have agreed to the revised Detailed Action Plan and estimated costs and the Board has approved both the revised Detailed Action Plan and the revised estimated cost of services and the estimate of expenses for Phase Two. Invoicing for Phase Two will be submitted monthly on a time and material basis using the above rate card (and actual approved expenses) until completion of the phase.

Deloitte Consulting will work with the Board to help manage the scope of Phase Two to facilitate performance within the fee estimate, but the parties agree that actual fees may differ from this estimate. To further assist in the management of fees, Deloitte Consulting will formally notify the client when 75% of estimated Phase Two program fees have been expended providing activities and level of effort required to complete the tasks in an amended Detailed Action Plan that has been updated to include the full scope of Phase Two. Deloitte Consulting will not exceed the approved fee amount without the Board's authorization and where the projected fees exceed the remaining authorized amount, unless otherwise approved by the Board, the parties agree that Deloitte Consulting will stop performance (without any further obligations) once the authorized fee amount is reached.

Should either party identify appropriate changes in scope or other issues that would affect the estimated total fees that party will inform the other party and the parties will discuss and agree on the impact on the fee estimate before implementing such changes.

### **Phase Three**

For the type of work envisioned in Phase Three, Deloitte Consulting has engaged with clients using a variety of fee arrangements to meet their specific needs and available budgets. During the development of the scope and implementation details associated with Phase Three, Deloitte Consulting will engage with the Board to discuss potential options for fee structure and then based on these discussions propose an appropriate fee structure for the engagement. Options for potential fee structures as listed below.

#### *Option 1: Time & Materials*

This option is identical to what is presented for Phase Two where scope and detailed plan of action are defined. The Board and Deloitte Consulting agree upon a level of efforts and estimated cost of services executing as described above.

*Option 2: Time & Materials plus savings percentage:*

Our Time and Materials plus savings percentage would propose set fees to be paid in labor for a set number of hours of work at an agreed upon blended hourly rate. For this option, we include additional skilled resources to oversee and report on the savings and revenues realized for an agreed upon designated period after the phase begins. To determine the savings percentage, we estimate a percentage range and assume a range of savings are achieved within an agreed upon implementation timeframe. Savings payments are exclusive of the time and materials payments already paid. Deloitte Consulting would stop collecting payment after the Board has achieved an agreed upon level of savings with the agreed upon time period.

*Option 3: Expenses Plus Savings Percentage*

Our expense plus savings percentage would propose an even lower fee rate than Option 2 for an agreed upon number of hours which would actually be designed to cover Deloitte Consulting expenses only. Like Option 2, we include additional skilled resources to oversee and report on the savings and revenues realized for an agreed upon designated period after the phase begins.

Once the parties have agreed upon the fee option for Phase Three, the parties will update the Detailed Action Plan and amend this Engagement Letter to document the agreed to scope, fees and other relevant terms. Until the foregoing are mutually agreed to and approved by the Board, performance on Phase Three will not start.

**Expenses:**

As noted above, our estimate for the cost of services is exclusive of expenses. Out of pocket expenses to include, but not necessarily limited to, travel and lodging expenses, communications charges and computer time and supplies, reproduction costs and all taxes, as applicable. Based on the Board approved Detailed Action Plan, Deloitte Consulting will develop an accompanying estimate of expenses, in an agreed upon format and level of detail, for Phase One. Deloitte Consulting and our teaming partners will engage in no travel prior to Board approval of the estimate of expenses. Similarly, as we discuss and agree upon the scope of subsequent phases, Deloitte Consulting will develop an estimate of expenses for Board approval prior to any associated travel.

**Terms and Conditions**

The terms and conditions that are applicable to this Engagement Letter are included as Attachment A.

I would like to thank you again for this opportunity to submit a proposal for Deloitte Consulting to work with the Board of Regents. We look forward to the prospect of working with you on this important project.

If this Engagement Letter is consistent with your understanding and is acceptable to the Board, please indicate so by countersigning one copy of this Engagement Letter and returning it to me.

Sincerely,



Rick Ferraro  
Director  
Deloitte Consulting LLP

ACCEPTED AND AGREED TO BY THE BOARD OF REGENTS, STATE OF IOWA:



Authorized Signature; Date of Signature  
Robert Donley





## Attachment A

### GENERAL BUSINESS TERMS

**1. Services.** The services provided (the "Services") by Deloitte Consulting LLP ("Deloitte Consulting") under this engagement letter to which these terms are attached (the "Engagement Letter") may include advice and recommendations, but Deloitte Consulting will not make any decisions on behalf of Client in connection with the implementation of such advice and recommendations. For purposes of these terms and the Engagement Letter, "Client" shall mean the Board (as defined in the Engagement Letter).

**2. Payment of Invoices.** Client will compensate Deloitte Consulting under the terms of the Engagement Letter for the Services performed and expenses incurred, through the term or effective date of termination of this engagement. Deloitte Consulting's invoices are due upon receipt. If payment is not received within thirty (30) days of receipt of an invoice (i) such invoice shall accrue a late charge equal to the lesser of (A) 1½% per month or (B) the highest rate allowable by law, in each case compounded monthly to the extent allowable by law, and (ii) Deloitte Consulting may also suspend or terminate the Services. Client shall be responsible for any taxes imposed on the Services or on this engagement, other than taxes imposed by employment withholding for Deloitte Consulting's personnel or on Deloitte Consulting's income or property.

**3. Term.** Unless terminated sooner as set forth below, this engagement shall terminate upon the completion of the Services. Either party may terminate this engagement, with or without cause, by giving thirty (30) days prior written notice to the other party. In the event of a termination for cause, the breaching party shall have the right to cure the breach within the notice period. Deloitte Consulting may terminate this engagement or performance of any part of the Services upon written notice to Client if Deloitte Consulting determines that the performance of any part of the Services would be in conflict with law, or independence or professional rules.

**4. Deliverables.**

a) For purposes of these terms (i) "Technology" means works of authorship, materials, information and other intellectual property; (ii) "Deloitte Consulting Technology" means all Technology created prior to or independently of the performance of the Services, or created by Deloitte Consulting or its subcontractors as a tool for their use in performing the Services, plus any modifications or enhancements thereto and derivative works based thereon; and (iii) "Deliverables" means all Technology that Deloitte Consulting or its subcontractors create for delivery to Client as a result of the Services.

b) Upon full payment to Deloitte Consulting hereunder, and subject to the terms and conditions contained herein, Deloitte Consulting hereby (i) assigns to Client all rights in and to the Deliverables, except to the extent they include any Deloitte Consulting Technology; and (ii) grants to Client the right to use, for Client's internal business purposes, any Deloitte Consulting Technology included in the Deliverables in connection with its use of the Deliverables. Except for the foregoing license grant, Deloitte Consulting or its licensors retain all rights in and to all Deloitte Consulting Technology.

c) To the extent any Deloitte Consulting Technology provided to Client hereunder constitutes inventory within the meaning of section 471 of the Internal Revenue Code, such Deloitte Consulting Technology is licensed to Client by Deloitte Consulting as agent for Deloitte Consulting Product Services LLC on the terms and conditions contained herein. The rights granted in Section 4(b) do not apply to any Technology (including any modifications or enhancements thereto or derivative works based thereon) that is subject to a separate license agreement between Client and any third party (including, Deloitte Consulting's affiliates).

**5. Limitation on Warranties. THIS IS A SERVICES ENGAGEMENT. DELOITTE CONSULTING WARRANTS THAT IT SHALL PERFORM THE SERVICES IN GOOD FAITH AND IN A PROFESSIONAL MANNER. DELOITTE CONSULTING DISCLAIMS ALL OTHER WARRANTIES, EITHER EXPRESS OR IMPLIED, INCLUDING, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.**

**6. Limitation on Damages and Indemnification.**

a) Each party, its subsidiaries, subcontractors, and their respective personnel shall not be liable for any claims, liabilities, or expenses relating to this engagement ("Claims") for an aggregate amount in excess of (i) in the case of Deloitte Consulting, the fees paid by Client to Deloitte Consulting pursuant to this engagement, or (ii) in the case of Client, the fees paid and payable by Client to Deloitte Consulting pursuant to this engagement, except to the extent resulting from the recklessness, bad faith, fraudulent or intentional misconduct, or Gross Negligence of the other party, its subcontractors or their respective personnel. This limitation shall not apply to claims related to death, bodily injury, or damage to real or personal property that are the subject of indemnification hereunder. For purposes of this section, "Gross Negligence" means conduct that evinces a reckless disregard for the rights of others or smacks of intentional misconduct.

In no event shall either party, its subsidiaries, subcontractors, or their respective personnel be liable for any loss of use, data, goodwill, revenues or profits (whether or not deemed to constitute a direct Claim), or any consequential, special, indirect, incidental, punitive or exemplary loss, damage, or expense relating to this engagement. The provisions of this Section 6(a) shall not apply to any Claim for which one party has an express obligation to indemnify the other or to any Claim for breach of Section 4. In circumstances where any limitation on damages or indemnification provision hereunder is unavailable, the aggregate liability of each party, its subsidiaries, subcontractors, and their respective personnel for any Claim shall not exceed an amount that is proportional to the relative fault that their conduct bears to all other conduct giving rise to such Claim.

b) Deloitte Consulting shall indemnify, defend and hold harmless Client and its personnel from all Claims attributable to claims of third parties solely for bodily injury, death or damage to real or tangible personal property, to the extent directly and proximately caused by the negligence or intentional misconduct of Deloitte Consulting while engaged in the performance of the Services; provided, however, that if there also is fault on the part of any entity or individual indemnified hereunder or any entity or individual acting on Client's behalf, the foregoing indemnification shall be on a comparative fault basis.

c) To the extent permitted by Iowa Code Chapter 669 and Article VII, Section 1 of the Iowa Constitution, Client shall indemnify, defend and hold harmless Deloitte Consulting, its subsidiaries, subcontractors and their respective personnel from all Claims attributable to claims of third parties solely for bodily injury, death or damage to real or tangible personal property to the extent directly and proximately caused by the negligence or intentional misconduct of Client while Deloitte Consulting is engaged in the performance of the Services; provided, however, that if there also is fault on the part of any entity or individual indemnified hereunder or any entity or individual acting on Deloitte Consulting's or any subcontractor's behalf, the foregoing indemnification shall be on a comparative fault basis.

d) The indemnified party shall provide the indemnifying party with prompt notice of any Claim for which indemnification shall be sought hereunder and shall cooperate in all reasonable respects with the indemnifying party in connection with any such Claim. The indemnifying party shall be entitled to control the handling of any such Claim and to defend or settle any such Claim, in its sole discretion, with counsel of its own choosing. The indemnifying party shall keep the indemnified party reasonably informed as to the status of any Claim and shall promptly notify the indemnified party as to the settlement of any Claim.

**7. Client Responsibilities.** Client shall cooperate with Deloitte Consulting hereunder, including, providing Deloitte Consulting with reasonable facilities and timely access to data, information and personnel of Client. Client shall be solely responsible for, among other things (a) the performance of its personnel and agents; (b) the accuracy and completeness of all data and information provided to Deloitte Consulting for purposes of the performance of the Services; (c) making all management decisions, performing all management functions and assuming all management responsibilities; (d) designating a competent management member to oversee the Services; (e) evaluating the adequacy and results of the Services; and (f) establishing and maintaining internal controls, including monitoring ongoing activities. Deloitte Consulting's performance is dependent upon the timely and effective satisfaction of Client's responsibilities hereunder and timely decisions and approvals of Client in connection with the Services. Deloitte Consulting shall be entitled to rely on all decisions and approvals of Client.

**8. Force Majeure.** Neither party shall be liable for any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, fire, epidemic or

other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

**9. Independent Contractor.** Each party is an independent contractor and neither party is, nor shall be considered to be, nor shall purport to act as, the other's agent, partner, fiduciary, joint venturer, or representative.

**10. Confidentiality and Internal Use.**

a) To the extent that, in connection with this engagement, either party (each, the "receiving party") comes into possession of any confidential information of the other (the "disclosing party"), it will not disclose such information to any third party without the disclosing party's consent, using at least the same degree of care as it employs in maintaining in confidence its own confidential information of a similar nature, but in no event less than a reasonable degree of care. The disclosing party hereby consents to the receiving party disclosing such information (i) as expressly set forth in the Engagement Letter, (ii) to subcontractors, whether located within or outside of the United States, that are providing services in connection with this engagement and that have agreed to be bound by confidentiality obligations similar to those in this Section 11(a), (iii) as may be required by law, regulation, judicial or administrative process, or in accordance with applicable professional standards or rules, or in connection with litigation pertaining hereto, or (iv) to the extent such information (A) is or becomes publicly available other than as the result of a disclosure in breach hereof, (B) becomes available to the receiving party on a non-confidential basis from a source that the receiving party believes is not prohibited from disclosing such information to the receiving party, (C) is already known by the receiving party without any obligation of confidentiality with respect thereto, or (D) is developed by the receiving party independently of any disclosures made to the receiving party hereunder. Nothing in this Section 11(a) shall alter Client's obligations under Section 11(b).

b) The parties recognize that Client is subject to the requirements of Iowa Code Chapter 22 (the "Iowa Open Records Act").

c) Notwithstanding the foregoing or anything set forth in Section 4, Client agrees that any data provided by Client under the Engagement Letter may be used by Deloitte Consulting in connection with the Services and any other services offered by Deloitte Consulting. Client further agrees that copies any such data or Deliverables may be disclosed or distributed by Deloitte Consulting to third parties in connection with such services, provided that such Deliverables and data does not contain any Client-identifiable information.

**11. Consent to Limited Use of Client's Name.** In connection with the performance of any benchmarking Services, Client consents to Deloitte Consulting listing Client's name, under the following conditions:

a) Client's name will always be listed among the other clients of Deloitte Consulting's benchmarking practice and only in Deloitte Consulting's benchmarking client lists, publications, news releases, articles, websites, promotional materials, direct mail solicitations, brochures, and other forms of advertising in connection with benchmarking services offered by Deloitte Consulting;

b) No such use of Client's name will state that Client endorses or recommends Deloitte Consulting or its benchmarking services; and

c) In each instance Deloitte Consulting will list Client alphabetically in a manner no more or less prominent than any of its other benchmarking clients.

**12. Survival and Interpretation.** All provisions which are intended by their nature to survive performance of the Services shall survive such performance, or the expiration or termination of this engagement. In the event of any conflict or ambiguity between these terms and the Engagement Letter, these terms shall control. **Each of the provisions of these terms shall apply to the fullest extent of the law, whether in contract, statute, tort (such as *negligence*), or otherwise, notwithstanding the failure of the essential purpose of any remedy.** Any references herein to the term "including" shall be deemed to be followed by "without limitation."

**13. Assignment and Subcontracting.** Except as provided below, neither party may assign any of its rights or obligations hereunder (including, interests or Claims) without the prior written consent of the other party. Client hereby consents to Deloitte Consulting assigning or subcontracting any portion of the Services to any affiliate

or related entity, whether located within or outside the United States. Services performed hereunder by Deloitte Consulting's subcontractors shall be invoiced as professional fees on the same basis as Services performed by Deloitte Consulting's personnel, unless otherwise agreed.

**14. Non-exclusivity.** Deloitte Consulting may (i) provide any services to any person or entity, and (ii) develop for itself, or for others, any materials or processes including those that may be similar to those produced as a result of the Services, provided that, Deloitte Consulting complies with its obligations of confidentiality set forth hereunder.

**15. Non-solicitation.** During the term of this engagement and for a period of one (1) year thereafter, each party agrees that its personnel (in their capacity as such) who had substantive contact with personnel of the other party in the course of this engagement shall not, without the other party's consent, directly or indirectly employ, solicit, engage or retain the services of such personnel of the other party. In the event a party breaches this provision, the breaching party shall be liable to the aggrieved party for an amount equal to thirty percent (30%) of the annual base compensation of the relevant personnel in his/her new position. Although such payment shall be the aggrieved party's exclusive means of monetary recovery from the breaching party for breach of this provision, the aggrieved party shall be entitled to seek injunctive or other equitable relief. This provision shall not restrict the right of either party to solicit or recruit generally in the media.

**17. Entire Agreement, Amendment, and Notices.** These terms, and the Engagement Letter, including attachments, constitute the entire agreement between the parties with respect to this engagement, supersede all other oral and written representations, understandings or agreements relating to this engagement, and may not be amended except by written agreement signed by the parties. All notices hereunder shall be (i) in writing, (ii) delivered to the representatives of the parties at the addresses set forth in the Engagement Letter, unless changed by either party by notice to the other party, and (iii) effective upon receipt.

**18. Governing Law, Jurisdiction and Venue, and Severability.** These terms, the Engagement Letter, including attachments, and all matters relating to this engagement, shall be governed by, and construed in accordance with, the laws of the State of Iowa. Any action based on or arising out of this engagement or the Services shall be brought and maintained exclusively in any state or federal court, in each case located in Polk County, Iowa. Each of the parties hereby expressly and irrevocably submits to the jurisdiction of such courts for the purposes of any such action and expressly and irrevocably waives, to the fullest extent permitted by law, any objection which it may have or hereafter may have to the laying of venue of any such action brought in any such court and any claim that any such action has been brought in an inconvenient forum. If any provision of these terms or the Engagement Letter is unenforceable, such provision shall not affect the other provisions, but such unenforceable provision shall be deemed modified to the extent reasonably necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein.

**19. Approval of Deliverables.** Client shall approve each Deliverable that conforms in all material respects to the requirements therefor set forth in the Engagement Letter. Approval of a Deliverable shall be deemed given if Client has not provided Deloitte Consulting with written notice of such approval or with written notice that a Deliverable does not conform with the foregoing (a) for the Detailed Action Plan, within three (3) days of delivery, and (b) for all other Deliverables, within ten (10) days of delivery.

**20. Liability Insurance.** Deloitte Consulting shall purchase and maintain, throughout the life of this Agreement, commercial general liability insurance and commercial automobile liability insurance to protect Deloitte Consulting from claims for bodily injury, including accidental death, personal injury, and property damage arising from operations under this Agreement, whether such operations be by Deloitte Consulting, subcontractor or by anyone else directly or indirectly employed by Deloitte Consulting. In addition, all statutory insurance requirements, including worker's compensation, shall be met. Limits of such insurance shall be as stated below:

<u>Type of Insurance</u>	<u>Limits of Liability (Minimum)</u>
Worker's Compensation	Statutory
Commercial General Liability	\$1 million per occurrence
Commercial Auto Liability	\$1 million combined single limit
Errors and Omissions	\$1 million per claim

B. With the exception of Worker's Compensation and Errors and Omissions, the "State of Iowa" and the "Board of Regents, State of Iowa" shall be included on such policies as additional

insureds. Prior to providing services under the terms of this Agreement, Deloitte Consulting shall provide a Certificate(s) of Insurance evidencing the required insurance coverage. Deloitte Consulting shall maintain such insurance in effect throughout the duration of the Agreement consistent with all applicable laws and in the minimum amounts required above to cover claims or actions arising from performance of this Agreement. Deloitte Consulting shall also provide that should the policy be canceled or subject to adverse material change, thirty (30) days written notice prior to the effective date shall be given directly to the Client. Failure to carry the required insurance coverage places the Deloitte Consulting in breach of this Agreement.

C. Certificate(s) of Insurance on current ACORD forms, which shall be acceptable to the Client, shall be addressed to:

The Board of Regents, State of Iowa  
11260 Aurora Avenue  
Urbandale, Iowa 50322

D. Deloitte Consulting shall either (1) require each subcontractor performing Services for Client hereunder (each a "Subcontractor") to procure and to maintain during the life of each associated Subcontract, liability insurance of the type and in the same amounts as specified in this section or (2) provide coverage for the activities of the Subcontractors in Deloitte Consulting's own policy.

E. Deloitte Consulting shall automatically renew policies, which expire during the term of this Agreement and provide the Client with certificates as evidence of such renewal.

**21. Non-Availability of Funds.** Notwithstanding any other provisions of this agreement, if funds anticipated for the continued fulfillment of this contract are at any time not forthcoming or insufficient, either through the failure of the Federal government or of the State of Iowa to appropriate funds or through deappropriation, then the Client shall have the right to terminate this agreement immediately for convenience without penalty by giving written notice documenting lack of funding. Notwithstanding the foregoing provisions of this Section, Client shall remain obligated to pay for Services that are performed prior to any such termination