STATE OF MICHIGAN
CIRCUIT COURT FOR THE 30TH JUDICIAL CIRCUIT
INGHAM COUNTY

COMMISSIONER OF INSURANCE
FOR THE STATE OF MICHIGAN,

Petitioner,

v

File No. 98-88265-CR

MICHIGAN HEALTH MAINTENANCE
ORGANIZATION PLANS, INC., a
Michigan health maintenance organization,

Hon. James R. Giddings

Respondent.
_____/

ORDER APPROVING THE RATES OF COMPENSATION OF ZAUSMER, KAUFMAN, AUGUST & CALDWELL, P.C. AS COUNSEL TO THE LIQUIDATOR

At a session of the Court held in the Circuit Courtrooms
for the County of Ingham, State of Michigan
on the 6th day of January, 2005

PRESENT: HON. JAMES R. GIDDINGS
CIRCUIT JUDGE

OmniCare Health Plan was ordered into rehabilitation by this Court's September 11, 2001 order. On October 28, 2004, this Court ordered OmniCare Health Plan (whose name was changed to Michigan Health Maintenance Organization Plans, Inc., effective October 1, 2004) liquidated and appointed Linda A. Watters, Commissioner of the Office of Financial and Insurance Services, as liquidator.

MCL 500.8121(1)(b) authorizes the liquidator appointed under Chapter 81 of the Insurance Code "[t]o employ employees and . . . legal counsel . . . and such other personnel as he

or she considers necessary to assist in the liquidation. MCL 500.8121(1)(c) states that the liquidator shall have the power: "[t]o fix the reasonable compensation of employees and . . . legal counsel . . . with the court's approval." MCL 500.8121(1)(d) authorizes the liquidator to pay the expenses of the liquidation from the funds or assets of the insurer.

Throughout the course of the Rehabilitation, the State of Michigan has substantially subsidized the receivership estate by providing legal services through the Insurance & Banking Division of the Department of Attorney General. Due to the scope of the continuing demand for legal services in the liquidation, the Liquidator has decided to retain the law firm of Zausmer, Kaufman, August & Caldwell, P.C. as counsel to the Liquidator. The Liquidator has requested that the Court approve the rates of compensation for Zausmer, Kaufman, August & Caldwell, P.C. as set out in the attached retention agreement and its attachment. With the retention of outside counsel, the legal costs for the Liquidator will be borne by the liquidation estate consistent with MCL 500.8121(1)(d).

The Court has considered the Liquidator's request and is fully informed concerning the matter. Accordingly, IT IS HEREBY ORDERED THAT the rates of compensation for Zausmer, Kaufman, August & Caldwell, P.C. as set out in the retention agreement and its attachment are hereby APPROVED.

JAMES R. GIDDINGS

HON. JAMES R. GIDDINGS
CIRCUIT JUDGE

December 20, 2004

PRIVILEGED AND CONFIDENTIAL
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Ross, Chief of Staff
OFIS Commissioner
611 W. Ottawa, 3rd Floor
Lansing, Michigan 48909

Re: Representation of OFIS Commissioner
In Her Capacity as Liquidator for Michigan Health Maintenance Organization Plans, Inc.

Dear Mr. Ross:

We are pleased that the Michigan OFIS Commissioner, in her capacity as liquidator for Michigan Health Maintenance Organization Plans, Inc., (the"Client") has selected Zausmer, Kaufman, August & Caldwell, P.C. (the "Firm") as its attorney to serve as counsel for the Client in this matter. We look forward to working with you on this matter.

This letter will memorialize the terms and conditions under which we will act as the Client's attorneys and defines several aspects of our relationship so that the Client and the Firm will have a clear understanding of that relationship and of the scope of the Firm's representation of the Client.

1. Services to be Provided by the Firm

The Firm shall provide legal services to the Michigan OFIS Commissioner, in her capacity as Liquidator for Michigan Health Maintenance Organization Plans, Inc.

2. Fees for Services Performed

As compensation for the services to be performed for the Client by the Firm, we shall be paid a reasonable fee. This fee will be determined by multiplying the number of hours spent working on the matter by the billing rates of the lawyer or paraprofessional performing the services. Each of our lawyers and paraprofessionals has been assigned a billing rate that is based upon his or her experience and expertise. Mark J. Zausmer will have primary responsibility for the matter and will use the assistance of shareholders, associates, paralegals or clerks on an as-needed and-appropriate basis. Please see the fee schedule attached to this correspondence for a listing of our fees. Mr. Zausmer's hourly rate and the rates of any other attorney working on this matter will be charged at the rates indicated on the attached fee schedule. Our time is charged in

increments of one-tenth (1/10) of an hour (i.e. 6-minute units), with a minimum billable increment of one-tenth (1/10th) of an hour. The hourly rates on the attached fee schedule represent a discount from our standard rates due to the fact that the Client is a state agency.

Although from time to time we may, at the Client's request, furnish estimates of the amount of fees that we anticipate will be charged for services to be performed under this engagement agreement, such estimates are by their nature inexact and cannot be binding. Therefore, absent a specific agreement, any such fee estimates made by us are for planning purposes only and are in all respects subordinate to our regular billing process as described above.

3. Disbursements

In addition to the fees described above, the Firm shall be reimbursed by the Client for all disbursements incurred by us in connection with legal services performed under this agreement. Included within this category are photocopying charges, fax charges, filing fees, court and deposition reporter fees, travel expenses, courier fees, word processing charges, computerized research charges, and long distance telephone charges, among other things. From time to time, we may request that the Client make an advance payment for an unusual cost item. (See attached schedule.) The Firm will charge the lesser of 50% of the online legal fees, plus the hourly rate, or the standard rates charged to clients for computerized research.

4. Manner of Billing and Payment

It may be helpful to describe how our internal billing process works so that you will know how the billing data is generated and how the amount of each statement is determined.

Each client is assigned a client designator, and, where appropriate, each matter for that client is assigned a separate case code. Each attorney and legal assistant in the office records his or her time by client and case code number on individually prepared, daily time sheets or books or computer databases. In addition, disbursements made by the Firm on your behalf are also recorded. This data (professional time and disbursements) is then put into a computer, and a pro forma statement is produced. The pro forma statement reflects, among other things, the services performed as well as the costs and disbursements incurred. The shareholder in charge of each matter then reviews the pro forma statement and, after applying the factors described above, determines the amount to be charged for the services rendered and the costs and disbursements incurred during the relevant billing period. A final statement for that billing period is then prepared, showing all of the services performed, the professional who performed each task, and the nature and total amount of costs and disbursements.

Client has the right to audit legal billings upon request.

As you know, a part of the cost of doing business is the cost of funds. We will tender statements for our professional services and related costs and disbursements at such intervals as we deem appropriate, usually monthly. We expect that our statements will be paid forthwith

and, in any event, each statement should be paid in full within 30 days after its receipt, unless, of course, other arrangements have been made with the Client in advance. After 30 days, interest will accrue at ½% per month (6% annum), compounded annually. Assessment of interest does not constitute a waiver of the obligation to pay on a timely basis.

5. Retainer

Zausmer, Kaufman, August & Caldwell, P.C. will not require a retainer on this matter.

6. Responsibilities of the Client

It is the Client's responsibility to cooperate fully with us in our work by, among other things, providing us with all requested information, being reasonably available for consultation and interviews upon request and paying our invoices.

7. Termination of Services

The Client shall have the right at any time to terminate the Firm's services upon written notice to us, and the Firm shall, immediately after receiving such notice, cease to render additional services. Should the Client elect to exercise such right, the Firm shall cooperate in facilitating the orderly transfer of the Client's files and records to the Client or to its new attorneys. Such termination shall not, however, relieve the Client of the obligation to pay the fees due for all services rendered and disbursements incurred, including those arising in connection with any transfer of files to you or to other counsel.

If the Client fails to meet its obligations hereunder and continues to fail to do so for ten (10) or more days after written notice thereof from us, the Firm shall have the right, in its sole discretion and without any further authorization by the Client, to declare this engagement agreement at an end and to decline to represent it further in connection with any matter or matters in which the firm is engaged by or on behalf of the Client. Should the Firm elect to exercise that right, the Client shall cooperate fully and promptly in freeing us of any obligation to perform further, including the execution and delivery of a substitution of attorney in any court or administrative proceeding. This right is in addition to those rights created by statute or recognized by the rules of professional conduct which govern lawyers.

8. Retention and Destruction of Records

Upon completion of the Firm's representation of the Client in the above-referenced matter, Client shall be entitled to review, without charge, the contents of the Firm's file regarding its representation of Client. Client shall be entitled to request the return of all original documents and things that Client had a pre-existing proprietary right in or that has intrinsic value to the Client ("Client Property"). The Firm may retain a copy of any Client Property returned. There shall be no cost to the Client for the return of Client Property if the request is made within sixty (60) days of the conclusion of the Firm's representation of Client. Client shall be entitled to copies of all other documents in the file related to the Firm's representation of Client (not

including internal documents of the Firm or any of the Firm's lawyers which may be included in the file) at Client's expense with copies made at the Firm's standard rate for copies and delivery costs if such request is made within sixty (60) days of the conclusion of the Firm's representation of Client.

If Client does not request return of Client Property or other file documents within sixty (60) days of the conclusion of the Firm's representation of the Client, the Client and Firm agree that the Firm shall have the right in its sole discretion to either destroy at any time or retain the Client Property and file documents for a reasonable period of time. If Client asks to inspect the Client Property or other file documents after sixty (60) days, and the Client Property or other file documents have not yet been destroyed by the Firm, the Client shall have to bear all costs for retrieving and returning the requested material to and from storage as well as duplication costs.

At the conclusion of the Firm's representation of the Client, the Firm may send a reminder to the Client regarding this agreement for record retention and destruction. However, failure by the Firm to remind the Client of the terms of this agreement in no way waives or modifies any of the Firm's rights under this agreement to destroy Client Property or other file materials.

Please review the foregoing and if you find it to be in order, please indicate your agreement by signing the enclosed original of this letter and returning it to me.

Throughout our relationship we want you to be satisfied with our fees, as well as the professional services that we perform on your behalf. Accordingly, I invite and encourage your prompt inquiry to us personally if you ever have any question concerning either our services or our fees.

Sincerely yours,

ZAUSMER, KAUFMAN, AUGUST & CALDWELL, P.C.

Mark J. Zausmer

Each and all of the foregoing are fully accepted and agreed to.

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LINDA A. WATTERS, OFIS Commissioner
In her capacity as Liquidator for Michigan Health Maintenance Organization Plans, Inc.

EXHIBIT A

FEE SCHEDULE

Name	Standard Rate
Shareholders	$250/hr*
Associates	$175/hr
Legal Assistant	$ 65/hr
Clerical Assistant	$ 35/hr

* This rate also applies to:

(1) Harvey Wax, an attorney with the firm who has 42 years of experience in labor and employment law. He is a graduate of Harvard Law School.

(2) Jay Bielfield, an of-counsel attorney who has over 30 years of experience in complex financial transactions. He is a graduate of the University of Michigan Law School.

OTHER CHARGES

photocopying charges	$0.15/page
fax charges	$0.50/page
filing fees	actual
court and deposition reporter fees	actual
travel expenses	actual
hotels	actual
reasonable meals/incidentals/ground transportation	actual
courier fees	$0.35/mile plus parking
attorney travel	$0.20/mile plus parking
postage and express mail	actual
long distance telephone charges	actual
expert fees	actual
consultant fees	actual
trial preparation fees	actual

The Firm uses Westlaw for computerized research. We have negotiated an arrangement with Westlaw where we are billed a monthly charge for unlimited use. We charge our clients a percentage based upon the actual usage of the client as a ratio of the flat monthly fee. Generally, this works out to a discount to the client of 80% - 90% of the standard Westlaw charge. We would charge the Commissioner the lesser of 50% of the online legal fees, plus the hourly rate, or the formula we use for our other clients.