

**SERVICE AGREEMENT BETWEEN
THE PUBLIC FACILITIES PROTECTION CORPORATION AND
CANNON COCHRAN MANAGEMENT SERVICES, INC.**

THIS SERVICE AGREEMENT is made and entered into this 1st day of July, 2011, by and between The Public Facilities Protection Corporation (the "Client"), an authorized self-insured entity, and Cannon Cochran Management Services, Inc. ("CCMSI"), a Delaware corporation. It is agreed between the parties hereto as follows:

- A. **APPOINTMENT OF CCMSI.** The Client hereby appoints CCMSI, and CCMSI hereby agrees to serve, as Third Party Administrator ("Administrator") of the Client's self-insurance workers compensation program created and existing under the State of Missouri ("State") Self-Insurance Regulations.

- B. **FUNCTIONS OF CCMSI.** During the term of this Agreement, the regular functions of CCMSI as the Client's Administrator shall include the following:
 - 1. **Claims Administration.**
 - (a) **Claim Management and Administration.** In compliance with its Best Practices, CCMSI will manage and administer all claims of the Client that occur during the period of this Agreement. All claim payments shall be made with Client funds. CCMSI will act on behalf of Client in handling, monitoring, investigating, overseeing and adjusting all such actual and alleged claims.

 - (b) **Claim Settlement.** CCMSI will settle claims of the Client with Client funds in accordance with reasonable limits and guidelines established with the Client.

 - (c) **Claim Reserves.** CCMSI will recommend reserves for unpaid reported claims and unpaid claim expenses.

 - (d) **Allocated Claim Expenses.** CCMSI will pay all Allocated Claim Expenses with Client Funds. Allocated Claim Expenses are charges for services provided in connection with specific claims by persons or firms, which are eligible claim expenses under the Client's program. Notwithstanding the foregoing, Allocated Claim Expenses will include all expenses incurred in connection with the investigation, adjustment, settlement or defense of Client claims, even if such expenses are incurred by CCMSI. Allocated Claim Expenses will include, but not be limited to, charges for:
 - 1) Independent medical examinations of claimants;

 - 2) Managed care expenses, which include the services provided by comp mc™, CCMSI's proprietary managed care program. Examples of managed care expenses includes but is not limited to state fee schedule, PPO net works, utilization review, nurse case management, medical bill audits and medical bill review;

- 3) Fraud detection expenses, such as surveillance, which include the services provided by *FIRE*, CCMSI's proprietary Special Investigation Unit (SIU), and other related expenses associated with the detection, reporting and prosecution of fraudulent claims, including legal fees.
 - 4) Attorneys, experts and special process servers;
 - 5) Court costs, fees, interest and expenses;
 - 6) Depositions, court reporters and recorded statements;
 - 7) Independent adjusters and appraisers;
 - 8) Index bureau and OFAC (Office of Foreign Assets Control) charges;
 - 9) MMSEA/SCHIP compliance charges;
 - 10) Electronic Data Interchanges, EDI, charges if required by State law;
 - 11) CCMSI personnel, at their customary rate or charge, but only with respect to claims outside the State and only if such customary rate is communicated to the Client prior to incurring such cost;
 - 12) Actual reasonable expenses incurred by CCMSI employees outside the State for meals, travel, and lodging in conjunction with claim management, subject to approval by the client;
 - 13) Police, weather and fire report charges that are related to claims being administered under Client's program;
 - 14) Charges associated with accident reconstruction, cause and origin investigations, etc.;
 - 15) Charges for medical records, personnel documents, and other documents necessary for adjudication of claims under Client's program;
 - 16) Charges associated with Medicare Set-Aside Allocations; and
 - 17) Other expenses normally recognized as ALAE by industry standards, subject to approval by the Client.
- (e) Subrogation. CCMSI will monitor claims for subrogation
- (f) Provision of Reports. CCMSI agrees to provide reports to the Client as specified in the Schedule of Reports attached hereto as Exhibit A.

2. Risk Management Services. CCMSI will provide the Client with Risk Management Services listed in Exhibit B, attached hereto. CCMSI will provide the Client with additional risk management services not contemplated in the Agreement upon mutual agreement of the parties.
3. Loss Control Services. CCMSI will provide the Client with 100 hours of loss control services annually. CCMSI will provide the Client with additional loss control services not contemplated in the Agreement upon mutual agreement of the parties. The Client shall remain fully responsible for the implementation and operation of its own safety programs and for the detection and elimination of any unsafe conditions or practices.
4. Managed Care Services. CCMSI will provide the Client with managed care services (comp mc™) upon mutual agreement of the parties. The Schedule of Managed Care Services to be provided is attached hereto as Exhibit C.

C. CLIENT RESPONSIBILITIES. The Client agrees to:

1. Report all claims, incidents, reports or correspondence relating to potential claims to CCMSI in a timely manner.
2. Reasonably cooperate in the disposition of all claims.
3. Provide adequate funds to pay all claims and expenses in a timely manner.
4. Respond to reasonable information requests in a timely manner.
5. Provide a complete copy of current excess or other insurance policies, including endorsements and audits, applicable to Client's worker's compensation self-insurance program.
6. Promptly pay CCMSI's fees.

D. OPERATING EXPENSES. The Client agrees to be responsible for and pay all of its own operating expenses other than service obligations of CCMSI. Such operating expenses shall include but not be limited to charges for the following:

1. All costs associated with Client meeting its State security and licensing requirements;
2. Certified Public Accountants
3. Attorneys, other than provided for in Section B.1. (d) (9) of this Agreement;
4. Outside consultants, actuarial services or studies and State audits;
5. Independent payroll audits;
6. Allocated Claims Expenses incurred pursuant to Section B. 1. (d) of this Agreement;

7. All applicable regulatory fees and taxes;
8. Educational and/or promotional material, industry-specific loss control material, customized forms and/or stationery, supplies and extraordinary postage, such as bulk mailing, express mail or messenger service.
9. National Council on Compensation Insurance, NCCI, charges;
10. Excess and other insurance premiums;
11. Costs associated with the development, record keeping and filing of fraud statistics and plans, but only if required by any State or regulatory authority having jurisdiction over Client;
12. Other operating costs as normally incurred by the Client.

E. BOOKS AND RECORDS.

1. (a) CCMSI shall maintain all claim information relating specifically to the Client which is necessary to the performance of CCMSI's obligations under this Agreement (the "Records"). The Records shall remain at all times the sole property of the Client.

(b) The Records shall not include any manuals, forms, files and reports, documents, customer lists, rights to solicit renewals, computer records and tapes, financial and strategic data, or information which documents CCMSI's processes, procedures and methods, or which CCMSI employs to administer programs other than the Client. The items specified in this Paragraph E. 1. (b) shall at all times be and remain the sole and exclusive property of CCMSI, and the Client shall not have any ownership, interest, right to duplicate or right to utilize these items except for the above documentation or information that relates solely to Client's Program.
2. During the term of this Agreement, CCMSI shall provide the Client with copies of the Records, if so requested by the Client. Any reasonable costs of reproduction of the Records shall be borne by the Client. In the event this Agreement is terminated or non-renewed, Client Records will be turned over to the Client or to a successor administrator designated by the Client as provided in paragraph f.3 of this Service Agreement.
3. CCMSI shall make the Records available for inspection by any duly authorized representative of the Client, or any governmental or regulatory authority having jurisdiction over CCMSI or the Client.

F. TERM AND TERMINATION.

1. Term of Agreement. The first term of this Agreement shall be for five (5) years beginning on July 1, 2011 and terminating on July 1, 2016. If this Agreement is extended beyond this 5 year term, such extension must be agreed to in writing by both parties prior to the expiration of the Agreement. This Agreement shall not be extended for a period exceeding one (1) year and such extension shall not modify the fees or services provided herein.

2. Termination of Agreement. This Agreement shall terminate:

- (a) By mutual agreement of the parties hereto;
- (b) Upon expiration of the current term of this Agreement or upon the expiration of any successive term.
- (c) Upon dissolution of the Client's self-insurance program whether voluntary or due to cessation of Client's authority to self-insure;
- (d) Upon dissolution of the Client's self-insurance program due to Client insolvency or bankruptcy;
- (e) Upon ninety (90) days written notice by either party if the other party is in material breach of any term, covenant or condition contained herein; provided, however, that as a condition precedent to termination, the terminating party shall give written notice to the other party, who shall have sixty (60) days from the date of such notice to cure or correct the grounds for termination. If the grounds of termination are not corrected or cured during the sixty (60) day period, this Agreement shall be terminated on the termination date specified in the notice.

3. Services Following Termination of Agreement.

(a) Should this Agreement be terminated or non-renewed for any reason, CCMSI will cease providing services, turn over to the Client all Client files in CCMSI's possession, which shall include all open and closed files, including claimant medical records, provide a run-off listing of all open claims, and cooperate with any successor administrator in the orderly transfer of all functions.

(b) Further, CCMSI will provide an electronic transfer of all claims data maintained electronically by CCMSI onto disks, with the cost of providing such borne by the Client. The electronic transfer of data will be subject to flat fee of \$2,500. CCMSI will provide any records reasonable and necessary for a successor administrator for a reasonable negotiated fee.

(c) Upon the Client's request and subject to agreement by CCMSI, CCMSI will be paid a reasonable negotiated fee to provide for continued administration of the open claim files.

G. SERVICE FEE PAYMENTS. The Client shall pay to CCMSI a service fee as outlined in the Fee and Payment Schedule attached hereto as Exhibit D.

H. RELATIONSHIP OF PARTIES. With respect to the services provided by CCMSI in this Agreement, CCMSI is considered an independent contractor. Nothing in this Agreement shall be construed to create a relationship of employer/employee, partners or joint ventures between the Client and CCMSI. This Agreement is non-exclusive, and CCMSI shall have the right to perform services on behalf of other individuals, firms, corporations and entities.

I. INDEMNIFICATION.

1. Indemnification by Client. The Client agrees that it will indemnify and hold harmless CCMSI and CCMSI's directors, officers, employees, former employees, agents, shareholders, subsidiaries and other affiliates from and against any and all claims, losses, liability, costs, damages and reasonable attorney's fees incurred by CCMSI as a result of breach of this Agreement by the Client, or misconduct, error, omissions or negligence by the Client, or by any of the Client's trustees, directors, officers, employees, agents, shareholders, subsidiaries, or other affiliates in connection with the performance of this Agreement.
2. Indemnification by CCMSI. CCMSI agrees that it will indemnify and hold harmless the Client and the Client's trustees, directors, officers, employees, former employees, agents, representatives, members or other affiliates from and against any and all claims, losses, liability, costs, damages and reasonable attorney's fees incurred by the Client as the result of breach of this Agreement by CCMSI or misconduct, error, omissions or negligence by CCMSI, or by any of CCMSI's directors, officers, employees, agents, shareholders, subsidiaries or other affiliates in connection with the performance of this Agreement.

J. CHANGE IN CIRCUMSTANCES. In the event the adoption of any statute, rule or regulation materially changes the nature of the relationship between the parties hereto or the legal or economic premises upon which this Agreement is based, the parties hereto shall undertake good faith negotiations to amend the terms of this Agreement to account for such changes in a reasonable manner.

K. MISCELLANEOUS.

1. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Missouri without regard to principles of conflicts of law.
2. Venue. It is agreed by the parties that any action at law, suit in equity, or other judicial proceeding to enforce or construe this agreement, or regarding its alleged breach, shall be instituted in the Circuit Court of the City of St. Louis, Missouri.
3. Timing of Services. CCMSI may exercise its own reasonable judgment, within the parameters set forth herein and in compliance with State regulations, as to the time and manner in which it performs the services required hereunder. Additionally, CCMSI will be held to a standard of like administrators performing like services for customers such as Client.
4. Successors in Interest. This Agreement shall be binding upon, and inure to the benefit of, the successors in interest and permitted assigns of the parties hereto.
5. Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if the invalid or unenforceable provision had been revised to the minimum extent necessary to make it valid and fully enforceable under applicable law.

6. Paragraph Headings. All paragraph headings in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.
7. Waiver. The failure of any party to enforce any provisions of this Agreement shall not constitute a waiver by such party of any provision. A past waiver of a provision by either party shall not constitute a course of conduct or a waiver in the future with respect to that same provision.
8. Notice Provision. All notices, requests and other communications required under this Agreement shall be in writing and delivered by hand or mailed, registered or certified, return receipt requested, postage paid, or sent via a nationally recognized overnight courier to the other party at the following address:

Client: Ms. Patricia Hageman
City Counselor & President of the
Public Facilities Protection Corporation
Room 314, City Hall
St. Louis, Missouri 63103

CCMSI: Cannon Cochran Management Services, Inc.
2 E. Main St.
Danville, IL 61832
Attn: Chief Operating Officer

9. File Destruction Policy. CCMSI will maintain all closed files on behalf of Client for a period of ten (10) years after the month of closure, or for as long as necessary to protect the applicable statute of limitations, whichever is longer. It is the sole responsibility of Client to advise CCMSI if files are not to be destroyed per this policy.
10. Insurance. CCMSI will purchase and maintain insurance coverages for its performance of the services contemplated in this Agreement. Minimum policy limits are as follows:

Workers Compensation – Statutory
Professional - \$5,000,000
General Liability - \$1,000,000 / \$2,000,000
Umbrella - \$5,000,000

11. Unauthorized Alien Employees. As a condition for the award of this contract, CCMSI, shall, pursuant to the provisions of Sections 285.530 through 285.555 of the Revised Statutes of Missouri 2000, as amended, by **sworn affidavit** (attached hereto as Exhibit __) **and provision of documentation**, affirm its enrollment and participation in a federal work authorization program with respect to the employees working in connection with this Agreement. Contractor shall also sign an affidavit (attached hereto as Exhibit __) affirming that it does not knowingly employ any person who is an unauthorized alien in connection with this Agreement pursuant to the above-stated Statutes.

12. Living Wage Requirements. Contracts for services in excess of \$50,000 may be subject the City's Living Wage Ordinance (Ordinance #65591). The Ordinance requires that, unless specific exemptions apply, all individuals performing work pursuant to a contract between the City and a contractor must be paid a minimum of the applicable wage rates set for in the Living Wage Bulletin. If rates are adjusted during the term of the contract, then the applicable wage rates must also be adjusted by the contractor. The Living Wage Ordinance can be found at <http://www.slpl.lib.mo.us/cco/ords/data/ord5597.htm>.
13. Assignment, Transfer or Subcontracting. CCMSI may neither assign, transfer nor subcontract any portion of this Service Agreement or the performance of services contemplated hereunder, except for the services to be performed by Comp MC as provided in Exhibit C to this Service Agreement, without consent, in writing of the Client,
14. Entire Agreement/Amendment. This Agreement sets forth the full and final understanding of the parties hereto with respect to the matters described herein, and supersedes any and all prior agreements and understandings between them, whether written or oral. This Agreement may be amended only by written document executed by the Client and CCMSI.
15. Subject to Appropriation. This Agreement is subject to Annual Appropriation by the City and is voidable by the Client if appropriations by the City for services under the Agreement is not made for any year.

Executed this 26 day of September, 2011.

CANNON COCHRAN MANAGEMENT SERVICES, INC.

By: *Rodney J. Golden*
Rodney J. Golden

Its: Chief Operating Officer/Executive Vice President

PUBLIC FACILITIES PROTECTION CORPORATION

By: *Patricia A. Hayman*

Its: _____

EXHIBIT A

SCHEDULE OF REPORTS

(All reports monthly unless otherwise stated)

CA062S00- Check Register – Comptrollers Office
CM062S01- Payment Register - Comptrollers Office and Various Departments
CL062S01 - Claim Listing by Association
DL062S00 - Detail Summary Loss Report
SL062S00 - Summary Loss Report – PFPC
SL062S01 - Summary Loss Report – By Level
SLXXS01 - Summary Loss Report – By Year
Month-to-Month Loss Comparison Report - PFPC
Fiscal Year Comparison Report – PFPC
PPD Report - Nancy Kistler or her successor
Monthly Executive Summary – Losses with Reserve Increases \$10,000 or greater
Budget Report
Monthly Activity Report
Settlement Grid
Monthly Specific Claim Information
Major Loss Cause Graphs
Cumulative \$ Totals for all years
Year End – Actuarial Data – end of each fiscal year
Annual State & NCCI Reporting Data – beginning of the calendar year

EXHIBIT B

SCHEDULE OF RISK MANAGEMENT SERVICES

CCMSI will provide the following:

1. Claim reviews as determined by the Client
2. Attendance at any meeting where CCMSI personnel are requested by the Client to attend
3. Unlimited Online Claim Access (ICE)
4. Annual Preparation of Addendums to State Filing Requirements
5. Annual Preparation of NCCI Reporting Requirements
6. Annual Preparation and mailing of 1099's

EXHIBIT C

SCHEDULE OF comp mc™ SERVICES AND FEES

There is no charge to the Client for Managed Care Services provided in this Agreement unless savings are achieved.

There is a \$9 per bill charge paid as an allocated claim expense for the utilization review and re-pricing of medical bills to Fee Schedule or Usual and Customary depending on the state.

Upon savings for PPO or usual and customary adjustments, the savings allocation is 75% to the client and 25% to comp mc™, paid as an allocated claim expense.

For the Prescription Drug Savings Program, the savings allocation is 67% to the Client and 33% to comp mc™, also paid as an allocated expense.

The above Managed Care Services are contingent on the provision that all medical bills, (with the exception of medical providers already providing pre-discounted and agreed upon fees for service, whether by contract or not) are being routed for review through CCMSI's Managed Care Program, comp mc™

EXHIBIT D

FEE AND PAYMENT SCHEDULE

Life of this Agreement: July 1, 2011 – June 30, 2016	
<i>Services:</i>	<i>Fees:</i>
Claims Administration (minimum)	\$397,748
<p>CCMSI will manage and administer all workers' compensation claims for the life of this agreement for this annual fee except for excess claims and other services as outlined below.</p> <p><u>Workers' compensation:</u></p> <p>1,450 claims per year with additional charges applying if applicable as follows:</p> <p>Indemnity claims @ \$775 per claim in excess of 400 annually</p> <p>Medical only claims @ \$150 per claim in excess of 750 annually</p> <p>Incident/record only @ \$50 per incident in excess of 300 annually</p> <p>Any additional charges over the \$397,748 minimum claim fee will be billed quarterly thereafter.</p>	
Annual Administration	Included
<ul style="list-style-type: none"> • Medical Only Claims - Processing • First Aid Cases – Processing • Documentation Only – Processing • Medical with Lost time – Processing • Investigation of questionable claims and claims requiring special handling • Data Processing, recordkeeping and continued process of active claims • Preparation and filing of IRS required Materials (Form 1099) • Rehabilitation/Structure Work Re-Entry Programs • Case Management/Rehabilitation review • 360 square fee of office space with offices for three City employees and access to standard office equipment all located convenient to City Hall and the Workers Compensation Division • Life of contract claim handling • Legal claim file preparation work • Claim reviews at Client's request • Medicare compliance and advisory services • Real time/Ad Hoc report generation • Budget and Ongoing cost advisement 	

<ul style="list-style-type: none"> • Trends and Statutory legal environment updating • On site, specific employee training as requested • Special Service projects as requested • Assistance in filing of all required state forms including state mandated assessments • Workers' compensation claim packets/state forms • Preparation for, compliance with and response to regulatory audits • Account Management and Administration • Storage of closed files 	
<p>Internet Claim Access</p>	<p>Included</p>
<p><u>Internet claims system access which includes:</u></p> <ul style="list-style-type: none"> • Viewing access to all claims data • Risk Management statistical analysis • Comprehensive and complete access to claims management process • On-line reports • On-line reporting capability via the internet • Ability to generate OSHA 301 Form and First Report of Injury • <p>Note: All Internet Claim Access services are included in the Annual Administration Fee.</p>	
<p>Risk Management Services</p>	<p>Included</p>
<p>See Exhibit B</p>	
<p>Loss Control Services</p>	<p>Included</p>
<p>100 hours per year</p>	
<p>Managed Care Service</p>	<p>See Exhibit C</p>
<p>See Exhibit C</p>	
<p>MMSEA Section 111 Reporting</p>	<p>\$25 / Per Claim Hit</p>
<p>CCMSI in conjunction with our reporting agent will comply with MMSEA Section 111 Reporting on behalf of City of St. Louis through the Public Facility Protection Corporation</p> <ul style="list-style-type: none"> • All injury claims will be queried to CMS for Medicare eligibility (no charge) • CCMSI will collect additional mandatory data on claims where Medicare eligibility has been verified. CCMSI along with our reporting agent will report all claims meeting the reporting guidelines as set forth by CMS. (one-time \$25 per claim fee) 	

Special System Reports	\$125 an hour
CCMSI will provide special reports, (reports not currently programmed or written) for a fee of \$125 per hour for system programming time. CCMSI will provide an estimate of charges before any work will be done.	
Payment Schedule	\$397,748
The quarterly installments of \$99,437 will be due on 7-1-2011 and quarterly thereafter.	

Executed this 26 day of September, 20 .

CANNON COCHRAN MANAGEMENT SERVICES, INC.

By: Rodney J. Golden
Rodney J. Golden

Its: Chief Operating Officer/Executive Vice President

PUBLIC FACILITIES PROTECTION CORPORATION

By: Saturia A. Hayma

Its: _____