



REPORT OF THE TRUSTEE

Civille & Tang PLLC

Joyce C.H. Tang

Betty Johnson v. Eloy S. Inos, et al., CV 09-0023

Combined Second & Third Quarter Report
Fiscal Year 2014

I. OVERVIEW OF SETTLEMENT FUND OPERATIONS

This report summarizes the operations and developments in the Settlement Fund for the Second and Third Quarter 2014.

A. \$25 Million Annual Payment and Other Payments.

To date, the NMI Government has paid \$24.5 million of the \$25 million minimum annual payment due under the Settlement Agreement. The quarterly payments were timely made. There is a balance of \$500,000 due for FY2014, which will be paid before September 30, 2014. The Settlement Fund members have received their pensions in a timely manner. In addition to the 75% pension payments, the NMI Government obtained funding to pay the 25% portion that was cut under the Settlement Agreement by passing Public Law 18-56, also known as the “Casino Law”. The Casino Law made available to the NMI Government \$30 million from an exclusive license fee to pay the 25% payment to Settlement Fund members, and interest due under P.L. 17-82 and P.L. 18-02.

The NMI Government is also required to pay for the Settlement Fund’s reasonable administrative cost under Section 4.0 of the Settlement Agreement. The Trustee will discuss with the Government the amount to be paid and payment terms.

The Central Government and the Autonomous Agencies are required to submit employer contributions to the Settlement Fund. All of the Autonomous Agencies are current through August 9, 2014, except for the Public School Systems (“PSS”), the Commonwealth Healthcare Corporation (“CHC”), and the Northern Marianas College (“NMC”). PSS and CHC are cooperating and working with the Settlement Fund to catch up. NMC, on the other hand, has not paid the full amount of the employer taxes required in Section 5.0 of the Settlement Agreement.

In fact, NMC has refused to comply with Section 5.0 of the Settlement Agreement which states that “the CNMI and Autonomous Agencies shall make supplemental payments to the Settlement Fund in the amount of the employer contributions for these Settlement Class Members at the same contribution rates they were paying as of June 26, 2013.” NMC was notified of this requirement and still refused to pay the delinquent balance.

An agreement to pay back the Judicial Building Loan and the Trustee Ad Litem fees is in place, and payment has commenced. While payment on the Judicial Building Loan has been sporadic, the Government is current on its payment of the Trustee Ad Litem fees.

B. Investment Strategy.

In late February 2014, in consultation with the Maggie Ralbovsky, the Settlement Fund’s investment consultant, a new Asset Allocation Glidepath and investment strategy was implemented. Because of the liquidity required to cover the monthly cash demands for pension and benefits payments, and the Settlement Fund’s short investment horizon, the Settlement Fund is not able to take high levels of capital markets risk. The new glidepath, however, increased risk taking from the original glidepath, to recognize the progress the Settlement Agreement has achieved in the extension of the investment horizon to some extent. Hence, the return on investment will be modest. The 2014 investment strategy is to invest 85% in bonds and 15% in equity, with further diversification of the bond allocation to include high yield securities. The target return for 2014 based on the glidepath is 4.49%. The investment return as of August 31, 2014 is 4.35%, and is on track with the Settlement Fund’s investment policy.

The value of the Settlement Fund’s investment assets at the beginning of the Second Quarter was \$105 million. While there were draws during the Second and Third Quarter of approximately \$6 million, the gains from investments of \$3.8 million from these two quarters

helped offset the draws. As of August 31, 2014, the value of the investments was approximately \$98.5 million.

C. Merrill Lynch Litigation.

With respect to major litigation matters, under the terms of the Settlement Agreement, the proceeds from the Merrill Lynch litigation were assigned to the Settlement Fund. *See*, §1.1, Settlement Agreement [EFC 468-1]. The individual claimants, Mariano Taitano, Roman T. Tudela, and Patricia Guerrero (“Claimants”) are pursuing the assigned claims against Merrill Lynch (“ML Claims”) on behalf of the Settlement Fund members in an arbitration proceeding pending before the Financial Industry Regulatory Authority (“FINRA”). The Claimants have requested the Settlement Fund substitute as claimants in the FINRA arbitration. The Trustee has conducted an in depth independent review of the ML Claims and has determined that the ML Claims are meritorious and there is basis for proceeding against Merrill Lynch. Subject to approval of the Court, the Trustee recommends substituting in as the Claimant in the FINRA Arbitration and entering into an engagement agreement with Claimants’ counsel.

D. Budget Matters.

The 2014 approved budget was \$51,587,501.65. Of this amount, \$49.4 million was allocated to Settlement Fund members’ pension benefits and related payments, \$822,670 for consultants, hearing officers, and the Trustee’s fees and expenses, \$225,100 for administrative and maintenance expenses, \$898,000 for personnel expenses, and \$215,000 for pension software and equipment upgrade expenses. As of the end of the third quarter, the Settlement Fund is under budget by \$1.16 million or 3.06% of the total budget. The Settlement Fund expects to be under budget for the 2014. The proposed budget for fiscal year 2015 is \$50,760,878.25, a reduction of 1.60% from the prior year.

E. Administrative Proceedings.

There has been a delay in getting the administrative hearings underway due to the need to develop and finalize the NMI Settlement Fund Appeal Rules and Procedures. They are now complete and are being submitted for the Court's review and approval. Another reason for the delay was the difficulty in finding suitable full-time in house counsel to represent the Settlement Fund in the administrative proceedings and other matters. Its current in-house counsel, Val Alepuyo, is employed on a part-time basis and has agreed to stay on until new attorneys are hired and to assist during the transition. Recently, the Settlement Fund hired two new attorneys who will take over Ms. Alepuyo's duties and represent the Settlement Fund in the administrative proceedings. After interviewing candidates, two administrative hearing officers and one arbitrator have been selected to assist with the administrative proceedings.

F. Other Matters.

The Settlement Fund has retained Ernst & Young to be its auditor. Audit of the Settlement Fund's first year of operation will begin after the close of the Settlement Fund's book on September 30, 2014. The Settlement Fund will need the Court to approve the commencement date of the Settlement Fund from September 30 to October 1, to avoid auditing issues.

Milliman will be retained as the Actuary for the Settlement Fund. Milliman is the also the actuary for the Government of Guam Retirement Fund. An actuary report is not required under the Settlement Agreement until after fiscal year 2015. *See*, §4.0, Settlement Agreement ("After FY2015, the CNMI agrees to make minimum annual payments to the Settlement Fund sufficient to enable the Settlement Fund to pay 75% of Class Members' Full Benefits each year for the Settlement Fund's expected life and as determined by an independent actuary appointed by the Trustee and approved by the District Court."). Milliman's contract will be submitted to the Court for approval and will begin its work in the Spring of 2015.

II. FINANCIAL REPORT

A. A Financial Snapshot

Given the short investment horizon and liquidity needs of the Settlement Fund, beginning in March 2014, in consultation with its investment consultant, Maggie Ralbovsky of Wilshire Associates, a new Asset Allocation Glidepath and investment strategy was implemented. Table 1 below shows the Asset Allocation Glidepath approved and adopted by the Settlement Fund for the next four years.

Table 1

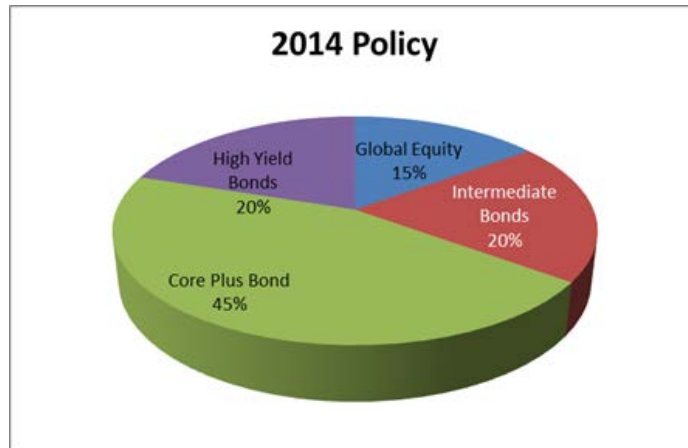
NMI Settlement Fund Glidepath							
Asset	Current	2014 Target	2015 Target	2016 Target	2017 Target	2018 Target	Implementation
Global Equity	2	15	10	5	0	0	Blackrock ACWI Fund
Intermediate Bond	28	20	20	30	40	100	Blackrock Intermediate Bonds
Core Plus Bond	50	45	50	50	50	0	PIMCO Total Return
High Yield Bonds	0	20	20	15	10	0	Hotchkis & Wiley
Expected Return	2.98	4.49	4.3	3.78	3.25	1.55	
Expected Risk	2.86	5.04	4.57	3.68	3.02	1.25	

Prior to the implementation of this new investment policy, all of the funds were invested in bonds to maintain liquidity because at that time, there was no settlement or Government contribution, and the NMI Retirement Fund was paying 100% of all expenses and pension benefits from its investments, with a depletion date of May 2014. Once the Settlement Agreement was signed and implemented, the Government began making the Annual Minimum Payments. The Settlement Agreement extended the pension benefits payments to retirees, and created a short investment horizon which allows the Settlement Fund to invest a limited portion of its funds in equities and high yield securities to get a higher return.

The 2014 policy was to invest 85% of the funds in a diversified fixed income portfolio including core plus, intermediate and high yield bonds. The remaining 15% are invested in

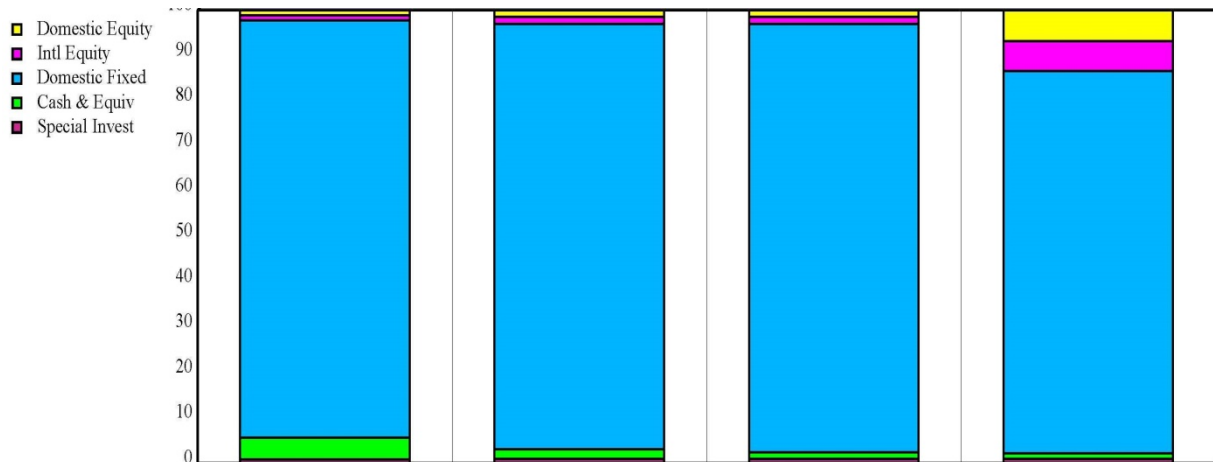
equity (stocks) which generally yield higher return, but involve higher risk. Chart 1 below shows the breakdown between the bond and equity investments.

Chart 1



The portfolio allocation for the past four quarters are shown in Chart 2, the Asset Allocation Chart as invested by managers.

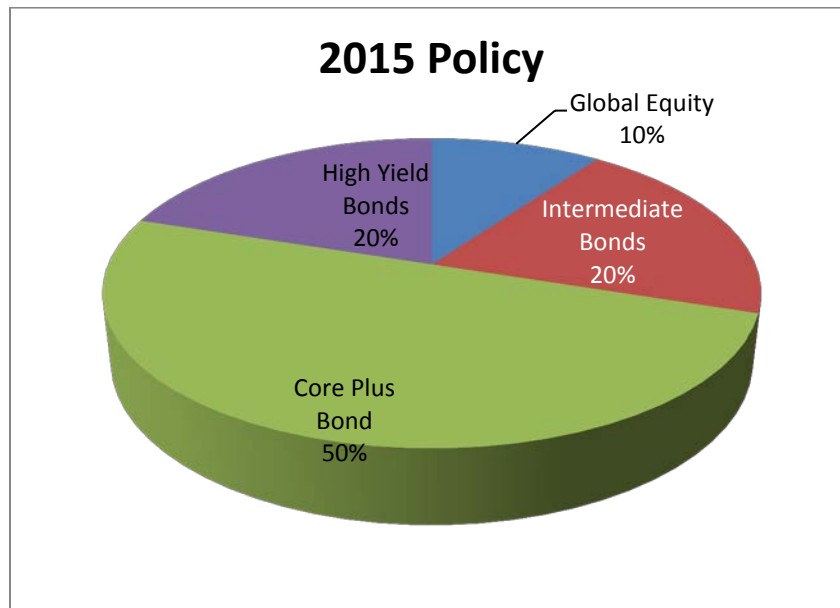
**Chart 2
Asset Allocation Chart
(as of June 31, 2014)**



Actual (Target)	09/13	12/13	03/14	06/14
Domestic Equity %	1.1 (0.0)	1.5 (0.0)	1.5 (0.0)	6.8 (7.5)
Intl Equity %	1.2 (0.0)	1.5 (0.0)	1.6 (0.0)	6.6 (7.5)
Domestic Fixed %	92.1 (100.0)	94.0 (100.0)	94.6 (100.0)	84.5 (85.0)
Cash & Equiv %	4.9 (0.0)	2.1 (0.0)	1.4 (0.0)	1.2 (0.0)
Special Invest %	0.7 (0.0)	0.9 (0.0)	0.9 (0.0)	0.9 (0.0)
Total Value (\$mil)	128.4	105.1	102.9	102.9

The 2014 asset allocation will not change for the remainder of the year. In 2015, the bond portion will increase by an addition 5%. *See*, Chart 3 below. The new asset allocation beginning in fiscal year 2015 will be 90% bonds, and 10% equity. As shown in Table 1 above, the Asset Allocation Glidepath shows that the target return will be 4.3%, a reduction of .19% from the previous year (2014).

Chart 3



Unless there is additional funding or contribution which increases the Settlement Fund's investment horizon, the Settlement Fund has very limited options for higher returns. As it stands now, the Settlement Fund is expected to become a pay-as-you-go entity during the year 2017, by which time retirement income of all the beneficiaries will be entirely dependent upon the CNMI Government's contributions.

A summary of the FY 2014 quarterly investment reports, with beginning and ending investment balances, gains and losses, and fees paid to managers is provided in Chart 4 below. *See also, Exhibits A & B* (1st Qtr and 2nd Qtr 2014 Results). The monthly and quarterly investment reports can also be accessed and downloaded from the Settlement Fund website from this link: <http://www.nmisf.com/investment-consultant-reports/>.

Chart 4

Investment Summary FY 2014					
	Beg. Balance	Draws	Investment Gains/Losses	Fees	End. Balance
1st Quarter (Oct 2013 - Dec 2013)	\$ 128,332,000	\$ (23,711,000)	\$ 304,000	\$ (46,000)	\$ 104,879,000
2nd Quarter (Jan 2014 - March 2014)	\$ 105,127,000	\$ (3,512,000)	\$ 1,339,000	\$ (28,000)	\$ 102,926,000
3rd Quarter (Apr 2014 - June 2014)	\$ 102,926,000	\$ (2,516,000)	\$ 2,519,000	\$ -	\$ 102,929,000
4th Quarter (Interim) (July 2014 - Aug 2014)	\$ 102,929,000	\$ (4,821,000)	\$ 429,000		\$ 98,537,000
Total		\$ (34,560,000)	\$ 4,591,000	\$ (74,000)	

As of August 31, 2014, the ending balance in the Settlement Fund's investment accounts is \$98.5 million. *See, Ex. C (NMI SF July and August 2014 Flash Reports)*.

B. The Settlement Fund's Budget

The Settlement Fund's fiscal year begins on October 1, and ends on September 30, the following year. The 2014 approved budget was \$51,587,501.65. Of this amount, \$49.4 million was allocated to Settlement Fund members' pension benefits and related payments, \$822,670 for consultants, hearing officers, and the Trustee's fees and expenses, \$225,100 for administrative

and maintenance expenses, \$898,000 for personnel expenses, and \$215,000 for pension software and equipment upgrade expenses.

As shown in Chart 5 below, as the end of the Third Quarter, the Settlement Fund is under budget by \$1.16 million or 3.06% under budget. A detailed budget report is attached as **Exhibit D** (*FY 2014 3rd Qtr. Budget Report and FY 2015 Budget*). The Settlement Fund will be under budget for FY2014. *See, Id.*

Chart 5

Actual v. Budget Results 9 Months Period Ending June 30, 2014

	F-Y-T-D Actual	F-Y-T-D Budget	F-Y-T-D Favorable (Unfavorable)	FY 2014 Approved Budget	FY 2014 Remaining Budget
Pension Benefits and Refunds					
Total Benefits Payment	35,824,038.78	36,293,540.85	469,502.07	48,391,387.80	12,567,349.02
Total Refunds	520,073.06	775,321.02	255,247.96	1,033,761.36	513,688.30
Total Benefits and Refunds	36,344,111.84	37,068,861.87	724,750.03	49,425,149.16	13,081,037.32
General & Admin.					
Professional Fees	342,468.13	617,002.50	274,534.37	822,670.00	480,201.87
Advertisement	312.50	1,125.00	812.50	1,500.00	1,187.50
Other General & Admin. Expenses	142,731.71	168,825.00	26,093.29	225,100.00	82,368.29
Total Gen & Admin.	485,512.34	786,952.50	301,440.16	1,049,270.00	563,757.66
Personnel Expenses	592,254.92	673,561.83	81,306.91	898,082.49	305,827.57
Total Gen. Admin and Personnel Exp.	1,077,767.26	1,460,514.33	382,747.07	1,947,352.49	869,585.23
Total Pension, Gen Admin & Personnel	37,421,879.10	38,529,376.20	1,107,497.10	51,372,501.65	13,950,622.55
Capital Expenses	100,000.00	161,250.00	61,250.00	215,000.00	115,000.00
Total Expenses	37,521,879.10	38,690,626.20	1,168,747.10	51,587,501.65	14,065,622.55

The proposed budget for fiscal year 2015 is \$50,760,878.25, a reduction of 1.60% from the prior year. *Id.*

	Budgeted 2015	Budgeted 2014	Actual 2013	Actual 2012
Pension and Disability Payments	\$48,667,000	\$ 49,425,149	\$72,545,613	\$78,491,830
Wages, Salaries & Employer Exp.	\$ 887,878	\$ 898,082	\$ 757,074	\$ 1,087,106
Consultant and Professional Fees	\$ 940,000	\$ 822,670	\$ 1,347,241	\$ 1,553,630
General Administrative Expenses	\$ 256,000	\$ 226,600	\$ 266,076	\$ 321,672
Other Expenses	\$ 10,000	\$ 215,000	\$ -0-	\$ -0-
Total	\$50,760,878	\$ 51,587,501	\$74,916,004	\$81,454,238

While the FY 2015 budget is less than the FY 2014 budget, certain categories of expenses have been increased. They are as follows:

1. *Wages, Salaries & Related Expenses.* The Settlement Fund has managed with a part-time attorney the past year. It has been difficult finding suitable NMI licensed attorneys willing to work full-time for the Settlement Fund. In September 2014, two attorneys have joined the Settlement Fund as in-house counsel. They are Dean A. Manglona and Kimberly King-Hinds. The Settlement Fund is very fortunate to have these accomplished attorneys join the Settlement Fund. Mr. Manglona's duties will be to assist with the Merrill Lynch litigation, the Administrative proceedings, and other legal matters. Ms. King-Hinds' primary duty will be to handle the Administrative cases on behalf of the Settlement Fund. We expect FY2015 to be a very busy year on the litigation front.

In order to be competitive with the public and private employers, the Settlement Fund has to offer an attractive employment package. To this end, the Settlement Fund, starting in October 2014, will offer full medical coverage to all employees and will pay the cost of individual coverage for all employees through local insurance providers. A 401K retirement program will be offered starting November 1, 2014, and the Settlement Fund will match up to 6% of the

salary, with a cap of \$6,000 per annum. A competitive and attractive employment package is necessary in order to retain the experienced and dedicated employees of the Settlement Fund.

2. *Consultant and Trustee Fees.* Earlier this year, Settlement Fund posted position announcements for the Administrative Hearing Officer and Arbitrator. The Trustee, Ms. Pangelinan and Ms. Alepuyo interviewed the candidates. Based on their qualifications, availability, and experience, two new hearing officers were selected for this position. They are Joshua Berger, Esq. and Maya Kara, Esq. They will both charge \$180.00 per hour, which rate includes all Westlaw charges and copying charges. The selection of arbitrator was more difficult due to conflicts and qualifications. Harry Boertzel, Esq. was selected as the arbitrator due to his extensive experience as a PUC Administrative Judge and the CUC Hearing Officer. Mr. Boertzel's hourly charges will be \$200.00 per hour. The proposed contracts are attached for the Court's review. *See, Exs. E-1 and E-2 (Arbitrator and AHO Contracts).*

A request was made of the Claimants counsel in the Merrill Lynch litigation for the Settlement Fund Trustee to substitute as the Claimant in the FINRA arbitration. The Trustee and the Settlement Fund team have reviewed the materials provided relating to the FINRA Arbitration and various documents, and based on the Trustee's independent review of the claims, the Trustee believes the claims against Merrill Lynch are valid and have merit. The work related to prosecuting the claims against Merrill Lynch will increase the cost of the Trustee expenses and consultant fees. The Trustee anticipates additional time and travel expenses will be incurred in connection with FINRA arbitration of approximately \$95,000 from last year's budget of \$180,000. In addition, the Trustee would like to retain the services of Ms. Rabolvsky to advise the Settlement Fund regarding the issues in this lawsuit. An additional \$50,000 was budgeted for Ms. Rabolvsky's consultant fee, which will be charged on a time and expense basis.

C. Legal Matters.

1. *Merrill Lynch Litigation.*

An arbitration proceeding styled as *Taitano et al. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.* is currently pending before FINRA (Case No. 12-02942), and involves claims of the NMI Retirement Fund (“NMIRF”) against Merrill Lynch. Merrill Lynch was the NMIRF Board of Trustee’s (“Board”) investment consultant until 2010. During the time of the consultancy relationship, the value of the assets of the NMI Retirement Fund declined substantially. As a result, the individual claimants, Mariana Taitano, Roman T. Tudela, and Patricia Guerrero, filed an action in the CNMI Superior Court against the Board, Merrill Lynch, and Does 1-10, docketed as case number 09-0410-CV, alleging various causes of action for damages relating to the decline in the NMIRF’s assets. The Board subsequently assigned its potential claims against Merrill Lynch for damages for causing or contributing to the decline in value to certain members of the NMIRF who were willing and able to litigate the claims. *See, Ex. F, (Option Agreement for Settlement, Assignment of Claims and Release (Dec. 2, 2011))*. The Superior Court action was then stayed and the matter was submitted to arbitration before FINRA.

The Trustee has been communicating with the Claimants’ attorney, Mr. Peter Mougey, a partner with the law firm of Levin, Papantonio, Thomas, Mitchell, Rafferty, P.A. regarding this case. Mr. Mougey has asked the Trustee to substitute in as the claimant in the FINRA arbitration. Based on the Settlement Trustee legal team’s review of the litigation, the Trustee recommends that the Court approve the substitution. The substitution would be accomplished by an assignment of the claims from the Claimants to the Settlement Fund. Consent of the NMIRF (the Governor) is required as the original assignments permits assignment of the claims with consent of the NMIRF. A draft of the Assignment Agreement is attached as **Exhibit G** hereto.

If the Court approves the substitution and the Assignment of the Claimants' claims to the Settlement Fund, the Settlement Fund will enter into a legal engagement agreement with Mr. Mougey's law firm. *See, Ex. H (Draft Legal Engagement Agreement)*

The Trustee and the Settlement Fund legal team and its financial consultant, have reviewed various documents filed in the FINRA arbitration and other relevant documents, and have independently concluded that the claims against Merrill Lynch have merit and that it is in the best interest of the Settlement Fund members for the Trustee to substitute as the claimant. The additional cost to the Settlement Fund is justified by the potential damage award that the Settlement Fund can receive from this case.

The Trustee was informed by Claimants' counsel that Merrill Lynch would like to mediate this case in November 2014. The arbitration before the FINRA is currently scheduled for the early part of 2015 in Hawaii. The arbitration date will be moved if mediation proceeds. If the Settlement Fund is allowed to substitute as the claimant in the FINRA arbitration, the Trustee supports and strongly recommends mediation.

2. *NMI Settlement Fund Appeal Rules and Procedure*

Section 10(k) of the Settlement Agreement requires the Trustee to:

(k) To establish policies and appoint hearings officers for the resolution of all disputes between individual Members of the Settlement Fund and the Settlement Fund consistent with due process and a right to a final appeal to an independent arbitrator selected by the Trustee and approved by the District Court, there shall be no further appeal from the decision of the arbitrator....

The Settlement Fund's legal team has drafted and finalized the NMI Settlement Fund Appeal Rules and Procedure. The proposed Rules are submitted for the Court's review and approval. *See, Ex. I (NMI Settlement Fund Appeal Rules and Procedure)*. Upon approval of the

NMI Settlement Rules and Procedure, the Settlement Fund will begin conducting administrative and arbitrator hearings.

D. Other Matters.

1. *Other Payments Due from the Central Government*

The NMI Government has negotiated terms for repayment of the Judiciary Loan and the TAL Fees. The balance due on the Judiciary Loan is \$2,671,540.19, calculated as of July 15, 2014. The parties previously agreed to a repayment plan of \$111,314.15 per month over a twenty four (24) month period. The Government has been making sporadic partial payments the past year on this account.

The balance due on the TAL fees is \$694,998.30. The parties have agreed to a repayment plan for the TAL fees of \$28,958.26 per month over a period of two years with no interest. The NMI Government has made three payments and is current through September 2014. No interest will apply so long as the Government is current. In the event of default the statutory interest rate will apply.

2. *Employer Contributions*

The NMI Government and autonomous agencies are required to submit employer contributions after each pay period. As of August 9, 2014, the following autonomous agencies are delinquent:

Agency	Estimated ER Contribution	Payments	Unpaid ER Contribution
PSS-LOCAL	457,433.11	307,960.26	149,472.85
PSS-FEDERAL	84,394.29	46,581.77	37,812.52
CHCC-LOCAL	125,133.01	134.28	124,998.73
CHCC-FEDERAL	3,888.00	1,136.66	2,751.34
NMC	121,371.38	80,930.41	40,440.97
Total Due from Agencies			355,476.41

PSS and CHCC have responded to the Settlement Fund's request for payment and due to funding issues are unable to bring their delinquency current. They are working with the Settlement Fund to cure the delinquency.

After informal attempts to resolve payment of employer contributions issues, on July 18, 2014, the Settlement Fund sent a letter to NMC demanding payment of the delinquency. A copy of the July 18, 2014 demand letter is attached as **Ex. J** (*Letter to M. Scoggins 7/18/2014*). In this letter, the Trustee informed Mr. Scoggins that the position taken by the NMC was unreasonable and unsupported by the law or the Settlement Agreement. NMC's argued that Section 5 of the Settlement Agreement which states "CNMI Autonomous Agencies shall make supplemental payments to the Settlement Fund in the amount of the employer contributions for the Settlement Class members at the same contribution rates they were paying as of June 26, 2013..." allows NMC to pay at a lower *incorrect* rate of 20% rate, as of June 26, 2013. NMC's position is that since it paid a lower rate, it should be allowed to do so. If the Court were to accept NMC's argument, then an agency which contributed 0% on July 26, 2013 would not have to pay any employer contribution today. The intent of §5 of the Settlement Agreement was for the parties to

follow the 30% rate confirmed in Judge Govendo's Order after June 29, 2011 Review Hearing. *See, Ex. J (Order After June 29, 2011 attached to Ltr. to M. Scoggins).*

NMC responded on July 21, 2014, and in its letter, NMC complained that the Trustee acted inappropriately in contacting parties, in particular the NMC President, to come to Court and sign the Settlement Agreement on the previously scheduled August 6, 2014 hearing to approve the Settlement Agreement. *See, Ex. K (Ltr. from M. Scoggins dated 7/21/14).* The Court had asked the Trustee that morning to contact all parties to come to Court and for the parties to sign the Settlement Agreement. The Court waited for over an hour for all of the parties to appear. There is no basis for this complaint and the Trustee, in following the Court's request, did not act inappropriately. This complaint is completely baseless, and furthermore, has no bearing on the issue of NMC's non-payment.

NMC's sole justification for not paying the 30% rate is because it believes the

... plain language of Section 5.0 states that '... the CNMI Autonomous Agencies shall make supplemental payments to the Settlement Fund in the amount of employer contributions for these Settlement Class members at the same contribution rates they were pay as of June 26, 2013.' The language is unambiguous. NMC was paying at the contribution rate of 20% on June 26, 2013, and NMC is paying 'the same contribution rate [NMC was] paying as of June 26, 2013.

Id. at 2. Aside from the fact that NMC is not complying with the terms of the Settlement Agreement to which it is party, allowing NMC or any agency to pay less than the agreed upon 30% rate means that other agencies and Settlement Fund members will be subsidizing the portion that NMC refuses to pay. This was clearly not the intent of the parties, and is completely unfair to the agencies which comply and the Settlement Fund members who are forced to subsidize NMC. The Trustee respectfully requests that the Court issue an Order requiring NMC to comply

with §5.0 of the Settlement Agreement by paying all employer contributions at the rate of 30% together with accrued interest on the unpaid portion.

Respectfully submitted this 7th day of September, 2014.

CIVILLE & TANG, PLLC

/ s /

Joyce C.H. Tang
Trustee, NMI Settlement Fund