HILLARD HEINTZE

Protecting What Matters

April 14, 2013

City of New Orleans
Mr. Danny Cazenave
715 South Broad Street, Room 501
New Orleans, Louisiana 70119

United States Department of Justice
Ms. Christy E. Lopez
Civil Rights Division
Special Litigation Section
601 D Street NW
Washington, D.C. 20004

Dear Mr. Cazenave and Ms. Lopez:

Given that the Monitor selection process is at a critical stage, we are bringing this to your attention tonight so that you have it at your disposal to discuss tomorrow – and to make sure that everyone is on the same page with respect to pricing.

There has been a significant error in the reporting and discussion of our four-year bid price dating back to October of last year. We believe that the first public reporting of the incorrect $7,200,000 figure occurred in an article published in The Lens and written by reporter Tom Gogola on October 19, 2012. This error has been carried forward since that time in the public's discussion – and most recently by members of the selection committee in questioning during our April 9th presentation.

The purpose of this correspondence is to provide absolute clarity in our pricing proposal.

For the record, the Hillard Heintze total price, as broken out in our original proposal in two places,[1] is **$7,007,542** – not $7,200,000. This expense-included bid price includes Year One through Year Four labor costs of $5,938,595 ($1,542,735; $1,497,870; $1,463,430; and $1,434,560 respectively) and $1,068,947 in expenses (18% of the labor costs).

Now that we have clarified this critical point, we would like to provide the following comparative analysis across four price-related dimensions relevant to the value each Monitor candidate team would provide to the City of New Orleans. We have included a Summary Table on page 3 of this letter. We have also footnoted each of these figures with references to specific pages in the original proposals submitted by Hillard Heintze and SheppardMullin.

1. Pricing

- Hillard Heintze's total Bid Price of $7,007,542 is significantly less than SheppardMullin's total Bid Price of $7,880,786.[2] This represents a four-year savings of $873,244 for the City.
- While Hillard Heintze's total Firm Fixed Price (including expenses) remains the same at $7,007,542, SheppardMullin's Firm Fixed Price (including expenses) increases to $8,900,000.[3] Thus, under Firm Fixed Price conditions, four-year savings to the City with Hillard Heintze as Monitor could increase to as much as $1,892,458.

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[1] Hillard Heintze Proposal, "1. Consent Decree Monitor.docx," page 90, and "2. Hillard Heintze Proposed Budget, Year 1-4, Consent Decree Court Monitor of the NOPD.xlsx."
[2] SheppardMullin Proposal, "Sheppard+Mullin2.pdf", page 10.
[3] *Ibid.*

30 South Wacker Drive, Suite 1730 - Chicago, Illinois 60606
Phone: 312.869.8500 - www.hillardheintze.com

- If the selection committee were to make a true "apples-to-apples" price comparison based on the 25,040-hour threshold presented by SheppardMullin, then the actual difference between the two bids would be more dramatically apparent. In this scenario, Hillard Heintze's total labor fees would be $4,253,143 (SheppardMullin's 25,040 hours x Hillard Heintze's average blended rate of $169.85). Compared to SheppardMullin's total four-year labor fees of $7,090,181, this would yield total savings to the City of $2,071,472.

2. Effective Blended Rate and Financial Impacts Beyond Year Four

- Hillard Heintze's Effective Blended Rate begins at $171.59 in Year One and declines to $168.36 in Year Four. SheppardMullin's ranges from $259.60 in Year One to $306.66 in Year Four.[4]
- The difference in these Year Four rates could have a significant impact on the City's finances if the Consent Decree extends beyond Year Four.

3. Hours

- The Hillard Heintze team will collectively spend 34,958 hours over four years as Monitor.[5] The SheppardMullin team will spend 25,040 hours over the same period.[6] This represents 40% more time invested by Hillard Heintze in the City, the NOPD and the Monitor process as a whole.

4. Hours Spent in New Orleans

- Hillard Heintze will spend 75% of its hours in New Orleans[7] – or 26,219 hours (75% x 34,958 total hours). This is more than the total hours SheppardMullin will spend as Monitor (25,040) in entirety over the four years.[8]
- SheppardMullin will spend "the majority" of its hours "off-site – i.e., outside the city of New Orleans."[9]

In closing, we ask that you make this correspondence a permanent part of the record and use it to support your decision making and discussions in the coming days.

Sincerely,

HILLARD HEINTZE LLC

Arnette Heintze

Arnette F. Heintze
Co-Founder and CEO, Hillard Heintze

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4 These blended rates are derived using both firm's hours and costs for Years One to Four, as per their respective proposals.
5 Hillard Heintze Proposal, "2. Hillard Heintze Proposed Budget, Year 1-4, Consent Decree Court Monitor of the NOPD.xlsx."
6 SheppardMullin Proposal, "Sheppard+Mullin2.pdf", Budget Templates, page 11-14.
7 Hillard Heintze Proposal, "1. Consent Decree Monitor.docx," page 89.
8 SheppardMullin Proposal, "Sheppard+Mullin2.pdf", Budget Templates, page 11-14.
9 SheppardMullin Proposal, "Sheppard+Mullin2.pdf", page 9.

HILLARD HEINTZE

Summary Table

	SheppardMullin			Hillard Heintze			Percentage Difference or Annual Savings
	Effective Blended Rate	Hours	Dollars	Effective Blended Rate	Hours	Dollars	
Total Hours							
Year One	$ 259.60	6,265	$ 1,626,375	$ 171.59	8,991	$ 1,542,735	
Year Two	$ 276.87	6,755	$ 1,870,269	$ 170.21	8,800	$ 1,497,870	
Year Three	$ 291.83	6,240	$ 1,821,024	$ 169.26	8,646	$ 1,463,430	
Year Four	$ 306.66	5,780	$ 1,772,514	$ 168.36	8,521	$ 1,434,560	
			$ 7,090,181			$ 5,938,595	
Expenses			$ 790,605			$ 1,068,947	
Total Bid			$ 7,880,786			$ 7,007,542	$ 873,244
Total Bid - Firm Price			$ 8,900,000			$ 7,007,542	$ 1,892,458
Total Hours		25,040			34,958		140%