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ATTORNEY GENERAL

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IOWA DEPARTMENT OF JUSTICE  
OFFICE OF THE ATTORNEY GENERAL

Report of the Attorney General to the General Assembly  
Use of Contingency Fee Contracts with Private Attorneys  
Calendar Year 2020

This report concerning the Use of Contingency Fee Contracts with Private Attorneys for calendar year 2020 is submitted by the Attorney General pursuant to Iowa Code section 23B.3(7).

One contingency fee contract remained current in 2020. The private attorney is J. Brett Milbourn of Horn, Aylward, and Bandy, LLC, 2600 Grand Blvd., Suite 1100, Kansas City, MO 64108.

The contract is included as Attachment 1. The nature and status of, and the names of the parties to, the matter are described in Attachment 2.

## AGREEMENT FOR SPECIAL COUNSEL

This Agreement is entered into by and between the State of Iowa ("State"), the Treasurer of the State of Iowa ("Treasurer") and J. Brett Milbourn, a partner in the law firm of Walters, Bender, Strohhahn, and Vaughan, 1100 Main Street, Kansas City, MO 64105 ("Special Counsel").

### PURPOSE

Upon the request of the Attorney General and authorization of the Executive Council, Special Counsel is retained pursuant to Iowa Code section 13.7 to represent the State and the Treasurer in connection with the redemption of United States Savings Bonds, otherwise known as the "Savings Bonds Litigation." Such engagement includes, without limitation, taking the appropriate action to obtain property rights, legal title and ownership of certain unclaimed United States Savings Bonds and proceeds thereof registered to Iowa residents and thereafter seeking to collect the proceeds or gain custodial control of such Bonds from the United States Treasury (the "State's Claims"). Special Counsel is authorized to contract with others, including without limitation additional counsel, in order to enforce State's Claims. However, any compensation of such others shall be made by Special Counsel from the contingent fee it receives under this Agreement and not otherwise from the State. Special Counsel has the exclusive right to enforce the State's Claims.

### DURATION

This Agreement shall extend from the date of its execution until the Savings Bonds Litigation is completed, including all appeals, unless terminated by one of the parties pursuant to the terms set forth in this Agreement.

### CASE MANAGEMENT

The management of the Savings Bonds Litigation will be carried out in accordance with the Addendum to this Agreement, as required by Iowa Code section 23B.3(4).

### PAYMENT – CONTINGENCY FEE

Special Counsel will be compensated on a contingent fee basis for all services related to this engagement by the State, based upon the following terms and conditions:

1. Percentage. Special Counsel's contingency fee shall be calculated in accordance with Iowa Code section 23B.3(3), as follows:

a) 25% of any Recovery up to and including \$10 million, exclusive of reasonable Costs and Expenses.

b) 20% of any portion of any Recovery that exceeds \$10 million up to and including \$15 million, exclusive of reasonable Costs and Expenses.

c) 15% of any portion of any Recovery that exceeds \$15 million dollars up to and including \$20 million, exclusive of reasonable Costs and Expenses.

d) 10% of any portion of any Recovery that exceeds \$20 million up to and including \$25 million, exclusive of reasonable Costs and Expenses.

e) 5% percent of any portion of any Recovery that exceeds \$25 million, exclusive of reasonable Costs and Expenses.

The aggregate contingency fee for Special Counsel shall not exceed \$50 million, exclusive of reasonable Costs and Expenses.

2. Definition of "Recovery". The term "Recovery" as used herein, means and shall include monies received and in possession by the State as a result of the redemption of United States Savings Bonds owned by or registered to persons whose last known domicile was Iowa. This includes the redemption of unclaimed "Bonds in Possession" of the Treasurer, as well as "Absent Bonds" which are lost, stolen, destroyed, or abandoned and registered to persons with last known addresses in Iowa. The State and Special Counsel specifically contemplate that changes to federal laws and/or regulations may occur as a result of Special Counsel's efforts in litigation, in order to resolve the litigation, or in combination with Special Counsel's efforts to seek a global resolution of the State's Claims outside of the litigation, and to the extent that such change results in the creation of a fund of unclaimed or unredeemed bonds available to the State, any monies received by the State as proceeds thereof shall be considered a Recovery. If no Recovery occurs, then the State will owe Special Counsel nothing for Costs and Expenses or fees, except as otherwise provided in this Agreement.

3. Definition of "Costs and Expenses". The term "Costs and Expenses" as used herein, means and includes reasonable expenses incurred or advanced for filing fees or other court costs, large photocopying projects, subpoena and/or witness or service of process fees, expert witness fees and expenses, investigator fees, computer legal research, overnight postage, courier services, postage for large mail outs, travel, lodging, meals, and mileage expenses, in amounts customarily allowed State employees, deposition expenses and court reporter fees, and other similar litigation-related expenses. Costs and Expenses do not include cellular telephone charges, long distance charges, or charges for the transmission or receipt of facsimiles, e-mails, or instant messages. To the extent Costs and Expenses are incurred that may be shared for the mutual benefit of other state clients involved in the same or similar Savings Bonds Litigation, such Costs and Expenses shall

be allocated on a "pro rata" basis among such states so as to help reduce the Costs and Expenses for all states equally.

Nothing herein shall be construed to limit Special Counsel's right to seek reimbursement of Costs and Expenses from adverse parties, including but not limited to, Costs and Expenses or attorney fees, under cost shifting or attorney fee recovery remedies. For the purpose of calculating Costs and Expenses or legal fees sought to be recovered under fee shifting statutes or attorney fee recovery remedies, the ordinary rates charged by Special Counsel or additional counsel shall be used. In the event Special Counsel is awarded fees against adverse parties under fee shifting statutes or any attorney fee recovery remedies, such award shall be considered part of the Recovery defined above for purposes of calculating Special Counsel's contingent fee. Special Counsel shall use reasonable efforts to recover Costs and Expenses from adverse parties. If Special Counsel recovers Costs and Expenses from an adverse party, then Special Counsel shall be entitled to retain all such recovered Costs and Expenses and shall not deduct such recovered Costs and Expenses from the Recovery for the purposes of calculating Special Counsel's contingent fee.

4. Advancement of and Reimbursement for Costs and Expenses. Special Counsel shall be responsible for advancing or causing to be advanced, to the extent reasonably necessary, all Costs and Expenses, as defined above. Special Counsel shall be entitled to be reimbursed all Costs and Expenses it has advanced or caused to be advanced, from any Recovery obtained. The State shall have no duty to reimburse Special Counsel for any Costs or Expenses which Special Counsel is responsible for advancing or has advanced, unless there is a Recovery. At no time will the total amount of Costs and Expenses attributed to the State on a pro-rata basis exceed two percent (2%) of the State's Recovery.

#### NO CONFLICT OF INTEREST

Special Counsel represents, warrants, and covenants that Special Counsel and Special Counsel's firm do not have any interest, and shall not acquire any direct or indirect interest, including the representation of any other client, that would conflict in any manner or degree with the legal representation or the services provided under this Agreement unless such conflicting representation has been fully disclosed to and waived by the Treasurer and the Attorney General. This Agreement shall not disqualify Special Counsel or Special Counsel's firm from continuing to represent other clients in unrelated matters adverse to the State, agencies of the State, or governmental subdivisions of the State, whether ongoing at the time of this Agreement or undertaken thereafter, that do not have a substantial relationship to the legal representation or the services provided under this Agreement.

## REPRESENTATIONS

1. Qualifications. Special Counsel, by signing this Agreement, attests that Special Counsel is qualified to perform the services specified in this Agreement and agrees to faithfully and diligently perform the services consistent with the standards of legal practice in the community.
2. Confidentiality. All transactional data, reports, estimates, and information furnished by the State to Special Counsel are confidential and shall not be divulged, in whole or in part, except by testimony under oath in judicial proceedings or as otherwise required by law. Special Counsel and Special Counsel's firm shall take all necessary steps to ensure that no staff member divulges any information concerning the Savings Bonds Litigation. All files and documents containing confidential information shall be filed in separate files maintained in the offices of Special Counsel's firm with access restricted to Special Counsel and needed clerical personnel.
3. Facilities and Personnel. Special Counsel has, and will continue to have, proper facilities and personnel to perform the services and work agreed to be performed.

## COMMUNICATIONS

Special Counsel and Special Counsel's firm shall refer inquiries from the media concerning the Savings Bonds Litigation or related matters to the Attorney General or the Treasurer.

## INDEPENDENT CONTRACTOR

The relationship of Special Counsel to the State is that of an independent contractor. No liability or benefits, such as workers compensation, insurance rights or liabilities, or other provisions or liabilities, arising out of or related to a contract for hire or employer/employee relationship, shall arise or accrue to either party or either party's agent, subcontractor, or employee as a result of the performance of this Agreement. Special Counsel and Special Counsel's firm will be solely and entirely responsible for their acts and the acts of their agents and employees during the performance of this Agreement.

Notwithstanding the above, the relationship is subject to the requirements of the attorney-client privilege.

## INDEMNIFICATION

1. Special Counsel and Special Counsel's firm agree to save harmless the State, its elected officials, officers, agencies, boards, and employees against and from any and all liabilities, obligations, damages, penalties, claims, costs, charges, and expenses (including, without limitation, fees and expenses of attorneys, expert witnesses and other consultants) which may be imposed upon, incurred by, or asserted against the State for either of the following reasons:

a) Any malpractice, negligent or tortuous act or omission attributable, in whole or in part, to Special Counsel, Special Counsel's firm or any of their employees, consultants, subcontractors, assigns, agents, or any entities associated, affiliated, or subsidiary to the firm now existing, or hereafter created, their agents and employees for whose acts any of them might be liable.

b) Any failure by Special Counsel, Special Counsel's firm, or the parties retained by either, to perform its obligations either expressed or implied by this Agreement.

## INSURANCE

1. Errors and Omissions. Special Counsel's firm shall maintain, and by execution of the Agreement confirms it has, professional liability insurance sufficient in an amount to provide coverage for any errors or omissions arising out of the performance of any of the professional services rendered pursuant to this Agreement.

2. Certificate of Insurance. Special Counsel's firm shall produce certificates evidencing such insurance to the Attorney General upon request. All certificates are to be prepared and submitted by the insurance provider and shall contain a provision indicating that the coverage(s) afforded under the policies will not be cancelled, materially changed, or not renewed without thirty (30) calendar days prior written notice, except for ten days for non-payment of premium, and any such notice of cancellation, material change, or non-renewal shall immediately be forwarded to the Attorney General upon receipt.

3. Additional Insurance. If, during the term of this Agreement, changed conditions should, in the judgment of the Attorney General, render inadequate the insurance limits, Special Counsel's firm will finish on demand such additional coverage as may be required. All insurance required under this Agreement shall be acquired at the expense of Special Counsel's firm, under valid and enforceable policies, issued by insurers of recognized responsibility. The Attorney General reserves the right to reject as unacceptable any insurer.

## TERMINATION

Either party may terminate this Agreement at any time and without cause, by providing thirty (30) days' notice and issuing a written Notice of Termination. On the date the termination is effective, Special Counsel shall submit to the Attorney General all records, reports, documents, and pleadings as the Attorney General shall specify and carry out such directives as the Attorney General may issue concerning the safeguarding and disposition of files and property; and submit within thirty (30) calendar days a closing memorandum.

The rights and remedies of either party provided by the Agreement are in addition to any other rights and remedies provided by law or equity.

## COMPLIANCE WITH LAWS

Special Counsel, Special Counsel's firm and any of their employees, consultants, subcontractors, assigns, or agents performing services under this Agreement shall comply with all applicable federal, state, foreign, and local laws, rules, regulations, procedures, ordinances, codes, and orders when performing within the scope of this Agreement, including without limitation, all laws applicable to the prevention of discrimination in employment, the administrative rules of the Iowa Department of Management and the Iowa Civil Rights Commission which pertain to equal employment opportunity and affirmative action, laws relating to prevailing wages, occupational safety and health standards, business permits and registrations, payment of taxes, gift laws, lobbying laws, and laws relating the use of targeted small businesses as subcontractors or suppliers.

## GENERAL PROVISIONS

1. Choice of Law and Forum. The laws of the State shall govern and determine all matters arising out of or in connection with this Agreement without regard to the choice of law provisions of Iowa law. In the event any proceeding of a judicial or quasi-judicial nature is commenced in connection with this Agreement, the exclusive jurisdiction for the proceeding shall be brought in Polk County District Court for the State of Iowa. This provision shall not be construed as waiving any immunity to suit or liability, including, without limitation, sovereign immunity, in state or federal court, which may be available to the State or the Treasurer.
2. No Waiver. Failure of a party to insist on the strict performance of this Agreement shall not constitute waiver of any breach of the Agreement.
3. Other Debts. Special Counsel and Special Counsel's firm are not and will not become in arrears to the State upon any contract, debt, or other obligation, including taxes.

4. Invalidity. If any provision of this Agreement or the application thereof to any persons or circumstances shall, to any extent, be judicially determined to be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby, and each provision of the Agreement shall be valid and enforceable to the fullest extent permitted by law.

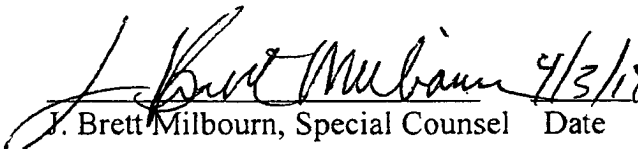
5. Headings. The headings of the sections in this Agreement are for convenience only and shall not be used to interpret the scope or intent of this Agreement.

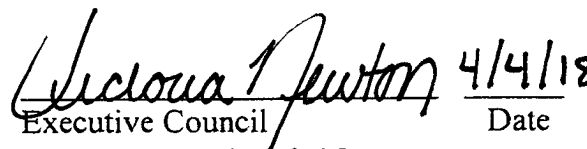
6. Entire Agreement. This Agreement represents the entire agreement between the parties and supersedes all proposals or other prior agreements, oral or written, and all other communications between the parties.


7. Amendment. No amendment to the Agreement shall be effective and binding upon the parties, unless it expressly makes reference to this Agreement, is in writing, and is signed by duly authorized representatives of all parties and all the requisite State approvals are obtained.

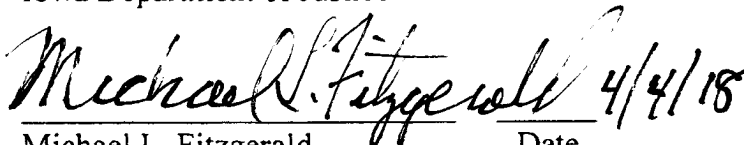
8. Execution. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single agreement.

APPROVED BY:

  
J. Brett Milbourn, Special Counsel Date  
Walters, Bender, Strohbahn, and Vaughan

  
Executive Council Date  
Approved by Victoria Newton

  
Jeffrey S. Thompson Date  
Solicitor General  
Iowa Department of Justice

  
Michael L. Fitzgerald Date  
State Treasurer



STANDARD ADDENDUM – CASE MANAGEMENT  
CONTINENCY FEE ATTORNEY SERVICES

1. General Provisions. This Standard Addendum concerning management of cases involving contingent fee attorney services was developed pursuant to Iowa Code section 23B.3(4). The Attorney General will retain complete control over the course and conduct of the case. Jeffrey Thompson, Solicitor General, will be personally involved in overseeing the litigation. Jeffrey Thompson will retain veto power over any decisions made by Special Counsel.

2. Notifications to Attorney General. All notices, correspondence and inquiries, reports, pleadings, and other documents mentioned in this Agreement and Addendum shall be directed to the Attorney General as follows: Jeffrey Thompson, Solicitor General, Iowa Attorney General's Office, Hoover State Office Building, 1305 E. Walnut, Des Moines, IA., 50319, Phone: 515-281-4419, Email: [Jeffrey.Thompson@ag.iowa.gov](mailto:Jeffrey.Thompson@ag.iowa.gov)

3. Communications with Defendant. A defendant that is subject of this litigation may contact Jeffrey Thompson directly, without having to confer with Special Counsel.

4. Notices to Attorney General. Special Counsel shall promptly inform Jeffrey Thompson of the following as soon as they become known:

a) Favorable actions or events that enable meeting time schedules and goals sooner than expected.

b) Delays or adverse conditions that materially prevent, or may materially prevent, the meeting of the objectives of the services provided. A statement of any remedial action taken or contemplated by the Special Counsels shall accompany this disclosure.

c) Notices of all court appearances, trial dates, depositions, and all other proceedings.

5. Attorney General Review/Approval of Litigation.

a) Special Counsel shall provide Jeffrey Thompson with copies of all pleadings filed by Special Counsel or by the opposing party. Pleadings to be filed by Special Counsel shall be provided sufficiently in advance of filing with the court to allow meaningful review, unless exigent circumstances dictate otherwise.

b) Before any dispositive motion is filed, or a response filed thereto, the supporting brief must be submitted to Jeffrey Thompson for review and approval for filing with the court.

c) The use of investigative subpoenas must be approved by Jeffrey Thompson. Jeffrey Thompson may request investigative subpoenas in addition to what Special Counsel files.

d) Special Counsel will consult with Jeffrey Thompson and assist in the preparation of answers to requests for discovery. Special Counsel shall indicate those requests to which the Special Counsel intends to file an objection.

e) At least ten calendar days prior to the day a witness list or an exhibit list is due, Special Counsel shall provide Jeffrey Thompson a preliminary witness list or exhibit list for review and recommendations of additional names of witnesses or additional exhibits.

6. Settlements. All decisions regarding settlement of the case are reserved exclusively to the discretion of the Attorney General, including all decisions regarding the use of mediation or arbitration to resolve the case. Jeffrey Thompson will participate in all settlement conferences, mediations, or arbitrations. Special Counsel must immediately communicate any settlement proposal received along with the recommendation to accept, reject, or offer a counter-proposal to any offer received to Jeffrey Thompson.

7. Appeals. No appeal of any order of any Iowa State court or any United States District Court in this litigation will be taken to the Iowa Court of Appeals, the Iowa Supreme Court, or any United States Circuit Court of Appeals, without prior written approval of the Attorney General. Further, Special Counsel agrees that no petition for certiorari will be filed in the United States Supreme Court without prior written permission of the Attorney General.

In all matters where an appeal is taken by another party or an appeal should be considered from an adverse decision of the trial courts, Special Counsel shall immediately notify Jeffrey Thompson by providing a written summary of the case, including facts, issues, copy of and analysis of the court's decision, and an analysis of the State's position on appeal.

8. Records Retention. In accordance with Iowa Code section 23B.3(6), Special Counsel, from the inception of this Agreement until at least four years after the Agreement expires or is terminated, shall maintain detailed current records, including documentation of all expenses, disbursements, charges, credits, underlying receipts and invoices, and other financial transactions that concern the provision of attorney services. Special Council will make all such records available for inspection and copying in accordance with Iowa Code chapter 22. Upon request of the Attorney General, Special Counsel will provide a copy of all such records and all litigation files related to the litigation.

9. Monitoring Law Firms, Consultants, and Experts. Special Counsel shall be responsible for monitoring the services provided by third parties and ensuring compliance

with all provisions of this Agreement and this Standard Addendum. Special Counsel will be responsible for and ensure payment of all third-party attorney fees solely from the Special Counsel's contingent fee provided for in this Agreement.

10. Reasonable Cooperation by Attorney General. The Attorney General shall provide reasonable and prompt cooperation to Special Counsel with respect to the matters addressed in this Standard Addendum.

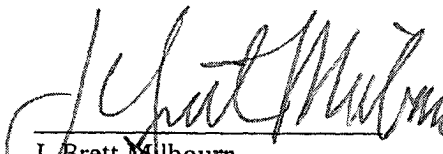
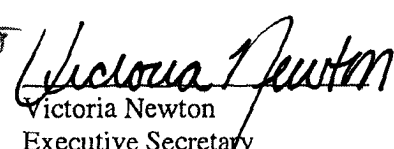
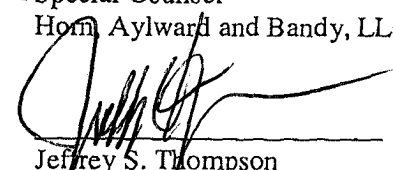
**AMENDMENT TO AGREEMENT FOR SPECIAL COUNSEL**

This amendment to the Agreement for Special Counsel is by and between the Iowa Department of Justice (the Department) and Horn, Aylward and Bandy, LLC (Special Counsel).

Pursuant to the approval of the Executive Council on May 21, 2018, the Department and Special Counsel agree to change the law firm in the Agreement as follows:

Legal services will be performed by J. Brett Milbourn of Horn, Aylward and Bandy, LLC, 2600 Grand Blvd., Suite 1100, Kansas City, MO 64108.

All other terms and conditions in the Agreement for Special Counsel remain in full force and effect.

 _____ J. Brett Milbourn Special Counsel Horn, Aylward and Bandy, LLC	<u>5/26/18</u> Date	<b>APPROVED BY</b>  _____ Victoria Newton Executive Secretary Iowa Executive Council	<u>5-30-18</u> Date
 _____ Jeffrey S. Thompson Solicitor General Iowa Department of Justice	<u>5/29/18</u> Date		

## Attachment 2

### *United States Savings Bonds Case*

On June 27, 2018, the Iowa Treasurer, working with the Iowa Attorney General's office and outside counsel, filed a petition in Polk County District Court pursuant to the state's title-based escheat procedure for U.S. savings bonds. *In Re: Matured, Unredeemed, and Unclaimed United States Savings Bonds with Purchasers or Owners with Last Known Addresses in the State of Iowa; Case No. EQCE083227*. On November 2, 2018, the court entered a Judgment of Escheatment granting the State of Iowa title to, and ownership of, certain matured, unredeemed savings bonds. These escheated bonds included both bonds held in custody by the Iowa Treasurer ("Bonds in State Possession") and bonds not in the Iowa Treasurer's custody ("Absent Bonds"), all of which were issued to persons with a last known address in the State of Iowa. The judgment was in excess of \$242,000.00 for the Bonds in State Possession and \$226 million for the Absent Bonds.

On December 19, 2018, armed with the final, non-appealable state court judgment, the Iowa Treasurer, by and through the Iowa Attorney General's office and outside counsel, made demand upon the U.S. Treasury to redeem the Bonds in State Possession and to provide certain information concerning the Absent Bonds that would be necessary for purposes of redeeming the Absent Bonds.

The U.S. Treasury granted the state's demand to redeem the Bonds in State Possession and paid \$210,792.01 in redemption proceeds to the state. The U.S. Treasury denied the state's demand with respect to the Absent Bonds, resulting in the State of Iowa filing suit in the U.S. Court of Federal Claims, thereby joining litigation currently pending in the same court with substantially similar cases brought by Kansas (the "Lead Case"), South Dakota, Louisiana, Kentucky, Mississippi, South Carolina, Indiana, Ohio, Arkansas and Florida. Except for the Lead Case, all of the other states' cases were stayed pending the outcome of the Lead Case.

Initially, the plaintiff in the Lead Case achieved a victory, with the Court of Federal Claims holding that Kansas: (1) had the right, as bond owner, to make a claim to redeem bond proceeds; and (2) was entitled to receive from the government the information necessary to make a request to redeem its Absent Bonds. The United States government appealed the court's decision. The U.S. Court of Appeals for the Federal Circuit reversed the decision of the Court of Federal Claims, holding that the state's escheat laws were preempted by Federal law and the state's lack of serial numbers or possession of the Absent Bonds prevented the state from redeeming the bonds even if it validly owned them.

The U.S. Court of Appeals for the Federal Circuit subsequently denied the state's petition for rehearing and issued a mandate to the Court of Federal Claims directing it to enter summary judgment in favor of the U.S. government, officially reversing the favorable decision by the Court of Federal Claims.

Special counsel filed a petition for a writ of certiorari with the Supreme Court of the United States, appealing the decision of the U.S. Court of Appeals for the Federal Circuit in the Lead Case. All of the states' cases, including Iowa's, filed in the U.S. Court of Federal Claims after the Lead case was filed were stayed pending the outcome of the appeal. On October 5, 2020, the Supreme Court denied certiorari, and on November 3, 2020, the Court of Federal Claims entered an order dismissing the claims in each state case pursuant to the ruling of the Court of Appeals and the Supreme Court's refusal to grant cert review.

The Agreement for Special Counsel terminates upon the completion of the Savings Bond litigation, including all appeals. Special Counsel has acknowledged termination of the agreement.