

INVESTMENT ADVISORY SERVICES AGREEMENT

BLX GROUP LLC

THIS INVESTMENT ADVISORY SERVICES AGREEMENT ("Agreement") is made and entered into this ____ day of _____, 20____ ("Effective Date"), by and between the CITY OF RIVERSIDE ("City"), a California charter city and municipal corporation and BLX GROUP LLC, a Delaware limited liability company authorized to do business in California ("Consultant").

1. **Scope of Services.** City agrees to retain and does hereby retain Consultant and Consultant agrees to provide the services more particularly described in Exhibit "A," "Scope of Services" ("Services"), attached hereto and incorporated herein by reference, in conjunction with Investment Advisory Services ("Project").

2. **Term.** This Agreement shall be effective on the date first written above and shall remain in effect until January 31, 2020, unless otherwise terminated pursuant to the provisions herein. City reserves the right to extend the contract for up to two (2) additional one (1) year periods.

3. **Compensation/Payment.** Consultant shall perform the Services under this Agreement for a fee of 4 basis points (0.04%) on the average market value of assets under advisement, in accordance with the terms set forth in Exhibit "B." Said payment shall be made in accordance with City's usual accounting procedures upon receipt and approval of an itemized invoice setting forth the services performed. The invoices shall be delivered to City at the address set forth in Section 4 hereof.

4. **Notices.** Any notices required to be given, hereunder shall be in writing and shall be personally served or given by mail. Any notice given by mail shall be deemed given when deposited in the United States Mail, certified and postage prepaid, addressed to the party to be served as follows:

To City

Finance Department
City of Riverside
Attn: Brent Mason
3900 Main Street, 6th Floor
Riverside, CA 92522

To Consultant

BLX Group LLC
Attn: Mark Creger
777 S. Figueroa Street, Suite 3200
Los Angeles, CA 90017

Copy To:
BLX Group
Attn: Rob Robertson, Chief Compliance Officer
777 S. Figueroa Street, Suite 3200
Los Angeles, CA 90017

5. **Prevailing Wage.** If applicable, Consultant and all subcontractors are required to pay the general prevailing wage rates of per diem wages and overtime and holiday wages determined by

the Director of the Department of Industrial Relations under Section 1720 et seq. of the California Labor Code and implemented by Resolution No. 13346 of the City Council of the City of Riverside. The Director's determination is available on-line at:

www.dir.ca.gov/dlsr/DPreWageDetermination.htm

and is referred to and made a part hereof; the wage rates therein ascertained, determined, and specified are referred to and made a part hereof as though fully set forth herein.

6. **Contract Administration.** A designee of the City will be appointed in writing by the City Manager or Department Director to administer this Agreement on behalf of City and shall be referred to herein as Contract Administrator.

7. **Standard of Performance.** While performing the Services, Consultant shall exercise the reasonable professional care and skill customarily exercised by reputable members of Consultant's profession practicing in the Metropolitan Southern California Area, and shall use reasonable diligence and best judgment while exercising its professional skill and expertise.

8. **Personnel.** Consultant shall furnish all personnel necessary to perform the Services and shall be responsible for their performance and compensation. Consultant recognizes that the qualifications and experience of the personnel to be used are vital to professional and timely completion of the Services. The key personnel listed in Exhibit "C" attached hereto and incorporated herein by this reference and assigned to perform portions of the Services shall remain assigned through completion of the Services, unless otherwise mutually agreed by the parties in writing, or caused by hardship or resignation in which case substitutes shall be subject to City approval.

9. **Assignment and Subcontracting.** Neither party shall assign any right, interest, or obligation in or under this Agreement to any other entity without prior written consent of the other party. In any event, no assignment shall be made unless the assignee expressly assumes the obligations of assignor under this Agreement, in a writing satisfactory to the parties. Consultant acknowledges that any assignment may, at the City's sole discretion, require City Manager and/or City Council approval. Consultant shall not subcontract any portion of the work required by this Agreement without prior written approval by the responsible City Contract Administrator. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement, including without limitation, the insurance obligations set forth in Section 12. The Consultant acknowledges and agrees that the City is an intended beneficiary of any work performed by any subcontractor for purposes of establishing a duty of care between any subcontractor and the City.

10. **Independent Contractor.** In the performance of this Agreement, Consultant, and Consultant's employees, subcontractors and agents, shall act in an independent capacity as independent contractors, and not as officers or employees of the City of Riverside. Consultant acknowledges and agrees that the City has no obligation to pay or withhold state or federal taxes or to provide workers' compensation or unemployment insurance to Consultant, or to Consultant's employees, subcontractors and agents. Consultant, as an independent contractor, shall be responsible for any and all taxes that apply to Consultant as an employer.

11. **Duty to Defend/Indemnification.** Consultant agrees to indemnify and hold the City, the City Council, members of the City Council, its employees, and authorized volunteers free and harmless from and against any all third party claims, suits and actions, and all associated damages, settlements, losses, liabilities, costs and expenses, including without limitation reasonable attorneys' fees and costs, including expert witness fees, to the extent due to Consultant's negligence, recklessness, or willful misconduct while providing investment advisory services under this agreement. The Contractor has no obligation to pay for any of the indemnitees' defense-related costs prior to a final determination of liability or to pay any amount that exceeds Contractor's finally determined percentage of liability based upon the apportionment of comparative fault of the City and the Contractor, its principals, employees, and/or any subcontractors. Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the City, the City Council, members of the City Council, its employees, or authorized volunteers.

12. **Insurance.**

12.1 **General Provisions.** Prior to the City's execution of this Agreement, Consultant shall provide satisfactory evidence of, and shall thereafter maintain during the term of this Agreement, such insurance policies and coverages in the types, limits, forms and ratings required herein. The rating and required insurance policies and coverages may be modified in writing by the City's Risk Manager or City Attorney, or a designee, unless such modification is prohibited by law.

12.1.1 **Limitations.** These minimum amounts of coverage shall not constitute any limitation or cap on Consultant's indemnification obligations under Section 11 hereof.

12.1.2 **Ratings.** Any insurance policy or coverage provided by Consultant or subcontractors as required by this Agreement shall be deemed inadequate and a material breach of this Agreement, unless such policy or coverage is issued by insurance companies authorized to transact insurance business in the State of California with a policy holder's rating of A or higher and a Financial Class of VII or higher.

12.1.3 **Cancellation.** The policies shall not be canceled unless thirty (30) days prior written notification of intended cancellation has been given to City by certified or registered mail, postage prepaid.

12.1.4 **Adequacy.** The City, its officers, employees and agents make no representation that the types or limits of insurance specified to be carried by Consultant pursuant to this Agreement are adequate to protect Consultant. If Consultant believes that any required insurance coverage is inadequate, Consultant will obtain such additional insurance coverage as Consultant deems adequate, at Consultant's sole expense.

12.2 **Workers' Compensation Insurance.** By executing this Agreement, Consultant certifies that Consultant is aware of and will comply with Section 3700 of the Labor Code of the State of California requiring every employer to be insured against liability for workers' compensation, or to undertake self-insurance before commencing any of the work. Consultant shall carry the insurance or provide for self-insurance required by California law to protect said Consultant

from claims under the Workers' Compensation Act. Prior to City's execution of this Agreement, Consultant shall file with City either 1) a certificate of insurance showing that such insurance is in effect, or that Consultant is self-insured for such coverage, or 2) a certified statement that Consultant has no employees, and acknowledging that if Consultant does employ any person, the necessary certificate of insurance will immediately be filed with City. Any certificate filed with City shall provide that City will be given ten (10) days prior written notice before modification or cancellation thereof.

12.3 Commercial General Liability and Automobile Insurance. Prior to City's execution of this Agreement, Consultant shall obtain, and shall thereafter maintain during the term of this Agreement, commercial general liability insurance and automobile liability insurance as required to insure Consultant against damages for personal injury, including accidental death, as well as from claims for property damage, which may arise from or which may concern operations by anyone directly or indirectly employed by, connected with, or acting for or on behalf of Consultant. The City, and its officers, employees and agents, shall be named as additional insureds under the Consultant's insurance policies.

12.3.1 Consultant's commercial general liability insurance policy shall cover both bodily injury (including death) and property damage (including, but not limited to, premises operations liability, products-completed operations liability, independent contractor's liability, personal injury liability, and contractual liability) in an amount not less than \$1,000,000 per occurrence and a general aggregate limit in the amount of not less than \$2,000,000.

12.3.2 Consultant's automobile liability policy shall cover both bodily injury and property damage in an amount not less than \$1,000,000 per occurrence and an aggregate limit of not less than \$1,000,000. All of Consultant's automobile and/or commercial general liability insurance policies shall cover all vehicles used in connection with Consultant's performance of this Agreement, which vehicles shall include, but are not limited to, Consultant owned vehicles, Consultant leased vehicles, Consultant's employee vehicles, non-Consultant owned vehicles and hired vehicles.

12.3.3 Prior to City's execution of this Agreement, copies of insurance policies or original certificates along with additional insured endorsements acceptable to the City evidencing the coverage required by this Agreement, for both commercial general and automobile liability insurance, shall be filed with City and shall include the City and its officers, employees and agents, as additional insureds. Said policies shall be in the usual form of commercial general and automobile liability insurance policies, but shall include the following provisions:

It is agreed that the City of Riverside, and its officers, employees and agents, are added as additional insureds under this policy, solely for work done by and on behalf of the named insured for the City of Riverside.

12.3.4 The insurance policy or policies shall also comply with the following provisions:

- a. The policy shall be endorsed to waive any right of subrogation against the City and its sub-consultants, employees, officers, and agents for services performed under this Agreement.
- b. If the policy is written on a claims-made basis, the certificate should so specify and the policy must continue in force for one year after completion of the services. The retroactive date of coverage must also be listed.
- c. The policy shall specify that the insurance provided by Consultant will be considered primary and not contributory to any other insurance available to the City and Endorsement No. CG 20010413 shall be provided to the City.

12.4 Errors and Omissions Insurance. Prior to City's execution of this Agreement, Consultant shall obtain, and shall thereafter maintain during the term of this Agreement, errors and omissions professional liability insurance in the minimum amount of \$1,000,000 to protect the City from claims resulting from the Consultant's activities.

12.5 Subcontractors' Insurance. Consultant shall require all of its subcontractors to carry insurance, in an amount sufficient to cover the risk of injury, damage or loss that may be caused by the subcontractors' scope of work and activities provided in furtherance of this Agreement, including, but without limitation, the following coverages: Workers Compensation, Commercial General Liability, Errors and Omissions, and Automobile liability. Upon City's request, Consultant shall provide City with satisfactory evidence that Subcontractors have obtained insurance policies and coverages required by this section.

13. Business Tax. Consultant understands that the Services performed under this Agreement constitutes doing business in the City of Riverside, and Consultant agrees that Consultant will register for and pay a business tax pursuant to Chapter 5.04 of the Riverside Municipal Code and keep such tax certificate current during the term of this Agreement.

14. Time of Essence. Time is of the essence for each and every provision of this Agreement.

15. City's Right to Employ Other Consultants. City reserves the right to employ other Consultants in connection with the Project. If the City is required to employ another consultant to complete Consultant's work, due to the failure of the Consultant to perform, or due to the breach of any of the provisions of this Agreement, the City reserves the right to seek reimbursement from Consultant.

16. Accounting Records. Consultant shall maintain complete and accurate records with respect to costs incurred under this Agreement. All such records shall be clearly identifiable. Consultant shall allow a representative of City during normal business hours to examine, audit, and make transcripts or copies of such records and any other documents created pursuant to this Agreement. Consultant shall allow inspection of all work, data, documents, proceedings, and

activities related to the Agreement for a period of three (3) years from the date of final payment under this Agreement.

17. **Confidentiality.** All ideas, memoranda, specifications, plans, procedures, drawings, descriptions, computer program data, input record data, written information, and other materials either created by or provided to Consultant in connection with the performance of this Agreement shall be held confidential by Consultant, except as otherwise directed by City's Contract Administrator. Nothing furnished to Consultant which is otherwise known to the Consultant or is generally known, or has become known, to the related industry shall be deemed confidential. Consultant shall not use City's name or insignia, photographs of the Project, or any publicity pertaining to the Services or the Project in any magazine, trade paper, newspaper, television or radio production, website, or other similar medium without the prior written consent of the City.

18. **Ownership of Documents.** All reports, maps, drawings and other contract deliverables prepared under this Agreement by Consultant shall be and remain the property of City. Consultant shall not release to others information furnished by City without prior express written approval of City.

19. **Copyrights.** Consultant agrees that any work prepared for City which is eligible for copyright protection in the United States or elsewhere shall be a work made for hire. If any such work is deemed for any reason not to be a work made for hire, Consultant assigns all right, title and interest in the copyright in such work, and all extensions and renewals thereof, to City, and agrees to provide all assistance reasonably requested by City in the establishment, preservation and enforcement of its copyright in such work, such assistance to be provided at City's expense but without any additional compensation to Consultant. Consultant agrees to waive all moral rights relating to the work developed or produced, including without limitation any and all rights of identification of authorship and any and all rights of approval, restriction or limitation on use or subsequent modifications.

20. **Conflict of Interest.** Consultant, for itself and on behalf of the individuals listed in Exhibit "C", represents and warrants that by the execution of this Agreement, they have no interest, present or contemplated, in the Project affected by the above-described Services. Consultant further warrants that neither Consultant, nor the individuals listed in Exhibit "C" have any real property, business interests or income interests that will be affected by this project or, alternatively, that Consultant will file with the City an affidavit disclosing any such interest.

21. **Solicitation.** Consultant warrants that Consultant has not employed or retained any person or agency to solicit or secure this Agreement, nor has it entered into any agreement or understanding for a commission, percentage, brokerage, or contingent fee to be paid to secure this Agreement. For breach of this warranty, City shall have the right to terminate this Agreement without liability and pay Consultant only for the value of work Consultant has actually performed, or, in its sole discretion, to deduct from the Agreement price or otherwise recover from Consultant the full amount of such commission, percentage, brokerage or commission fee. The remedies specified in this section shall be in addition to and not in lieu of those remedies otherwise specified in this Agreement.

22. **General Compliance with Laws.** Consultant shall keep fully informed of federal, state and local laws and ordinances and regulations which in any manner affect those employed by Consultant, or in any way affect the performance of services by Consultant pursuant to this Agreement. Consultant shall at all times observe and comply with all such laws, ordinances and regulations, and shall be solely responsible for any failure to comply with all applicable laws, ordinances and regulations. Consultant represents and warrants that Consultant has obtained all necessary licenses to perform the Scope of Services and that such licenses are in good standing. Consultant further represents and warrants that the services provided herein shall conform to all ordinances, policies and practices of the City of Riverside.

23. **Waiver.** No action or failure to act by the City shall constitute a waiver of any right or duty afforded City under this Agreement, nor shall any such action or failure to act constitute approval of or acquiescence in any breach thereunder, except as may be specifically, provided in this Agreement or as may be otherwise agreed in writing.

24. **Amendments.** This Agreement may be modified or amended only by a written agreement and/or change order executed by the Consultant and City.

25. **Termination.** City, by notifying Consultant in writing, shall have the right to terminate any or all of Consultant's services and work covered by this Agreement at any time. In the event of such termination, Consultant may submit Consultant's final written statement of the amount of Consultant's services as of the date of such termination based upon the ratio that the work completed bears to the total work required to make the report complete, subject to the City's rights under Sections 15 and 26 hereof. In ascertaining the work actually rendered through the termination date, City shall consider completed work, work in progress and complete and incomplete reports and other documents only after delivered to City.

25.1 Other than as stated below, City shall give Consultant thirty (30) days prior written notice prior to termination.

25.2 City may terminate this Agreement upon fifteen (15) business days' written notice to Consultant, in the event:

25.2.1 Consultant substantially fails to perform or materially breaches the Agreement; Consultant will thereafter have a right to cure the breach within ten (10) business days of receipt of the written notice; or

25.2.2 City decides to abandon or postpone the Project.

25.3 Consultant may terminate this Agreement upon thirty (30) days' written notice upon a material breach hereof by the City. City will thereafter have a right to cure the breach within fifteen (15) business days of receipt of the written notice. In the absence of breach, Consultant may terminate this Agreement upon sixty (60) day's written notice.

26. **Offsets.** Consultant acknowledges and agrees that with respect to any business tax or penalties thereon, utility charges, invoiced fee or other debt which Consultant owes or may owe to

the City, City reserves the right to withhold and offset said amounts from payments or refunds or reimbursements owed by City to Consultant. Notice of such withholding and offset, shall promptly be given to Consultant by City in writing. In the event of a dispute as to the amount owed or whether such amount is owed to the City, City will hold such disputed amount until either the appropriate appeal process has been completed or until the dispute has been resolved.

27. **Successors and Assigns.** This Agreement shall be binding upon City and its successors and assigns, and upon Consultant and its permitted successors and assigns, and shall not be assigned by Consultant, either in whole or in part, except as otherwise provided in paragraph 9 of this Agreement.

28. **Venue.** Any action at law or in equity brought by either of the parties hereto for the purpose of enforcing a right or rights provided for by this Agreement shall be tried in a court of competent jurisdiction in the County of Riverside, State of California, and the parties hereby waive all provisions of law providing for a change of venue in such proceedings to any other county.

29. **Nondiscrimination.** During Consultant's performance of this Agreement, Consultant shall not discriminate on the grounds of race, religious creed, color, national origin, ancestry, age, physical disability, mental disability, medical condition, including the medical condition of Acquired Immune Deficiency Syndrome (AIDS) or any condition related thereto, marital status, sex, genetic information, gender, gender identity, gender expression, or sexual orientation, in the selection and retention of employees and subcontractors and the procurement of materials and equipment, except as provided in Section 12940 of the California Government Code. Further, Consultant agrees to conform to the requirements of the Americans with Disabilities Act in the performance of this Agreement.

30. **Severability.** Each provision, term, condition, covenant and/or restriction, in whole and in part, of this Agreement shall be considered severable. In the event any provision, term, condition, covenant and/or restriction, in whole and/or in part, of this Agreement is declared invalid, unconstitutional, or void for any reason, such provision or part thereof shall be severed from this Agreement and shall not affect any other provision, term, condition, covenant and/or restriction of this Agreement, and the remainder of the Agreement shall continue in full force and effect.

31. **Authority.** The individuals executing this Agreement and the instruments referenced herein on behalf of Consultant each represent and warrant that they have the legal power, right and actual authority to bind Consultant to the terms and conditions hereof and thereof.

32. **Entire Agreement.** This Agreement constitutes the final, complete, and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Agreement, and supersedes all prior and contemporaneous understandings or agreements of the parties. Neither party has been induced to enter into this Agreement by, and neither party is relying on, any representation or warranty outside those expressly set forth in this Agreement.

33. **Interpretation.** City and Consultant acknowledge and agree that this Agreement is the product of mutual arms-length negotiations and accordingly, the rule of construction, which

provides that the ambiguities in a document shall be construed against the drafter of that document, shall have no application to the interpretation and enforcement of this Agreement.

33.1 Titles and captions are for convenience of reference only and do not define, describe or limit the scope or the intent of the Agreement or any of its terms. Reference to section numbers, are to sections in the Agreement unless expressly stated otherwise.

33.2 This Agreement shall be governed by and construed in accordance with the laws of the State of California in effect at the time of the execution of this Agreement.

33.3 In the event of a conflict between the body of this Agreement and Exhibit "A" attached hereto, the terms contained in Exhibit "A" shall be controlling.

34. **Exhibits.** The following exhibits attached hereto are incorporated herein to this Agreement by this reference:

Exhibit "A" - Scope of Services

Exhibit "B" - Compensation

Exhibit "C" - Key Personnel

(Signatures on Next Page)

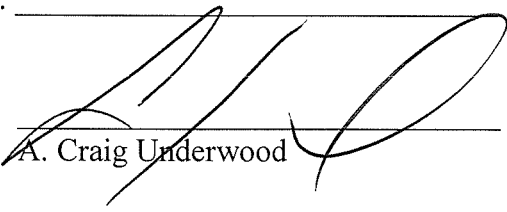
IN WITNESS WHEREOF, City and Consultant have caused this Agreement to be duly executed the day and year first above written.

CITY OF RIVERSIDE, a California charter
city and municipal corporation

BLX GROUP LLC, a Delaware limited
liability company authorized to do business in
California

By: _____
City Manager

Attest: _____
City Clerk

By: _____

A. Craig Underwood

President & Chief Executive Officer

Approved as to Form:

By:  _____
Deputy City Attorney

CA #15-2187
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EXHIBIT “A”

SCOPE OF SERVICES

EXHIBIT 1: BLX COMMENTS ON THE SCOPE OF SERVICE

The City's desired scope of services is an extremely good fit with BLX's corporate focus in that it acknowledges the unique characteristics of investing public funds. Because the primary objective for portfolios comprised of public funds is the safety of principal, BLX has developed an investment process based on preserving capital (first and foremost), ensuring adequate liquidity, and finally enhancing portfolio return. Within this conservative and client-specific framework, BLX's perspectives regarding the City's desired scope of services can be summarized as follows:

Investment Policy Development and/or Review: A comprehensive and formal investment policy drives the investment management function and serves as a powerful tool in establishing and realizing program objectives. It defines the appropriate statutory and regulatory limitations and establishes risk tolerances consistent with City objectives. In general, there are three areas of risk that are of particular concern to all public fund managers; the risk of default (credit risk), the risk of an erosion in market prices (market price risk), and the risk of liquidity (liquidity risk). Such risks can be effectively mitigated and managed through the structuring of a diversified portfolio, and the adoption of formal policy limitations relating to credit quality, maturity/duration, and sector allocation. In addition to working with the City each year to review the investment policy, BLX gives ongoing consideration to the City's investment policy to (i) ensure compliance with applicable sections of the California Government Code and industry best practices, (ii) confirm consistency with the City's stated goals and objectives and (iii) identify any changes that BLX believes would enhance the Portfolio's safety and/or return potential. To that end, BLX recently worked with the City to update its Investment Policy in 2015 and incorporate the addition of certain Washington DC based Supranational securities authorized pursuant to Assembly Bill 1933 section 53601 (q).

Portfolio Management: The development of a fixed income investment strategy is a dynamic process which entails the constant surveillance and analysis of economic trends, market conditions, and client circumstances. This ongoing analysis ensures the investment strategy remains sufficiently flexible to take advantage of changing market conditions and relative value opportunities. In addition, and perhaps most importantly, such oversight ensures that the portfolio reflects an appropriate balance of safety, liquidity, and expected return throughout market cycles. BLX's investment process begins with top-down analysis of the economic environment, focusing on potential changes to growth, inflation expectations, monetary and fiscal policy, and overall credit conditions. These analyses result in the development of an economic perspective from which all subsequent analysis originates and provides the framework (within appropriate client-specific guidelines) for our yield curve strategies, duration management perspectives, sector allocation preferences, and individual security selection. BLX supplements our internal research and analysis with economic, market, and credit analyses provided by many of the largest investment banking, brokerage, rating, and consulting firms in the industry. These reports are then reviewed in conjunction with our internal processes to ensure that all relevant information and resources have been thoroughly considered.

Portfolio structure (i.e., sector allocations, maturity distribution, and duration) is a function of the above-referenced economic perspectives and City specific risk tolerances and objectives. Once these constraints have been determined and an appropriate benchmark established, BLX begins the process of procuring individual securities (or evaluating existing securities) for inclusion in the portfolio. Individual security selection is based on the assessment of relative value and the analysis of each security's contribution to total portfolio risk and expected return. To understand how portfolio performance is impacted by changing market conditions (i.e., interest rates, credit spreads, volatility, etc.) BLX utilizes simulation/sensitivity analysis to model portfolio performance under a range of market conditions. While these sensitivity analyses are not in and of themselves predictive, they assist in identifying a portfolio's optimal sector, yield curve, and duration characteristics under both current and several reasonably likely future market conditions. Importantly, such analysis are prepared in comparison to the City's chosen benchmark to demonstrate those potential portfolio structures that generate returns in excess of the benchmark under varying future interest rate scenarios and within certain pre-defined risk constraints.

It is our firm belief that attempts at market timing generally subject the portfolio to unnecessary volatility with no meaningful improvement to long-term investment performance. Accordingly, BLX's investment team continually monitors client portfolios and recommends adjustments only when client or market conditions change or when we identify sector or security specific opportunities to add value (by enhancing return potential or reducing risk). Such strategic changes may include taking advantage of value opportunities between permitted sectors, along the yield curve, or through tactical duration adjustments.

The corresponding transactions that may result are reviewed on a "what if" basis to review the impact on the overall portfolio and confirm compliance with relevant portfolio parameters and constraints.

Based upon the results of these analyses and our understanding of the City's investment objectives and risk tolerances, BLX may initiate strategic ideas for the City's consideration that may improve the safety, credit quality, liquidity, maturity structure, diversification, yield, and return potential of the portfolio. In addition, and utilizing the same approach and perspectives discussed above, BLX would continue to review and evaluate potential portfolio transactions or strategic adjustments that may be generated by the City.

Reporting: BLX maintains detailed records regarding all securities transactions and investment activity and prepares numerous reports to keep our client's apprised of their investments. These reports are reconciled to the underlying custodial statements and include detailed information regarding holdings, transactions (purchases, sales, maturities, calls), market value, book value, amortization and accretion, realized and unrealized gains and losses, interest income, yield to maturity at market and cost, and total return. Accordingly, BLX's reports contain all information required by GASB 31. In addition, to facilitate compliance with GASB 40, BLX's reports also contain detailed information regarding the credit quality and duration statistics for all securities held, a measure of total portfolio duration by investment type, a maturity distribution analysis, and may include a simulation model illustrating how portfolio market value would be effected by a range of interest rate scenarios over a specified time horizon. BLX is committed to providing reports that best meet the City's unique needs. In addition to our standard monthly reports, BLX currently prepares a custom report that had previously been prepared by the City utilizing internal resources, thereby reducing a duplication of efforts and freeing up staff time. Moreover, because BLX maintains detailed information regarding all securities held, we are able to quickly generate custom or ad-hoc reports in a format most convenient to the City.

Portfolio Credit Analysis of Investment Instruments: Because the primary objective for portfolios comprised of public funds is capital preservation, public agencies necessitate a high degree of vigilance regarding the credit quality of their investments. While no security with substantial perceived credit risk would be purchased or recommended by BLX, we do recognize that there is a level of credit risk in all corporate obligations and many U.S. agency securities. The process we undertake to determine whether these securities are still advisable is:

- ❖ Perform an independent review of issuer credit quality, focusing on financial statement analysis (horizontal and vertical common-size) as well as trend (i.e., time-series) and cross-sectional financial ratio and cashflow analysis. Such analyses are intended to identify the drivers of financial performance and developing trends that may serve as an early signal of either improving or deteriorating creditworthiness.
- ❖ In conjunction with internal analyses, review externally prepared credit analyses, ratings, and outlooks prepared by institutional credit departments and nationally recognized rating agencies;
- ❖ Determine whether the additional yield offered by such securities would justify incremental credit risk. In making such evaluations, BLX will analyze the current spread relative to historical levels and with important consideration to forward-looking breakeven spread levels.

This decision making process is performed by the investment team prior to purchasing any securities and monitored on an ongoing basis. BLX subscribes to various analytical programs which allow BLX investment officers to monitor daily credit market activity and the financial and economic factors that often precede credit events on a real-time basis. In addition, these programs enable BLX to monitor news, financial statements/filings and equity price performance relating to all corporate securities held in all portfolios. Such monitoring enables BLX to remain apprised if the financial and economic health of the corporate market and serves as an early warning system to credit quality deterioration. Should the financial performance of a particular security or sector begin to weaken, the investment team will review the specific circumstances to determine if such securities should be considered for sale or held to maturity. As mentioned, BLX generally recommends that, when permitted and otherwise appropriate, public funds portfolios restrict their purchase of corporate notes to those rated at least AA at the time of purchase. This requirement provides protection against downward ratings migration and provides flexibility in dealing with potential ratings downgrades. Additional analysis is then performed during the reporting process when credit, sector, and duration statistics are reviewed by the investment team relative to stated policies and portfolio strategy.

Broker/Dealer Due Diligence: BLX is pleased to work with the City in developing due-diligence procedures for managing its broker-dealer relationships. This diligence process may include working with the City to re-qualify certain existing broker-dealers by coordinating the collection and review of (i) most recent audited financial statements, (ii) the last three quarterly FINRA Focus Filings evidencing compliance with appropriate net capital requirements, (iii) FINRA BrokerCheck® reports detailing relevant regulatory information for the firms that cover the City's account(s), and (iv) confirming that an executed Acknowledgement of Compliance Standards for Investment Transactions is on file. Moreover, In order to monitor and track the competitiveness of participating broker-dealers, BLX recommends that security transactions generally be executed according to a competitive process to ensure aggressive pricing. The results of such competitive process should be maintained and periodically reviewed to determine whether or not certain broker-dealers should be re-evaluated for continued participation in City transactions.

Meetings with City Officials: BLX takes an individualized approach to management of client portfolios. In this way, we strive to perform our investment advisory function in an informed, hands on, and extension-of-staff manner. Open communication allows us to achieve a clear understanding of the unique characteristics, circumstances, and objectives of each client portfolio, and affords us the opportunity to enhance our client's understanding of our approach to the management of their funds. Because communication is a critical component to any successful investment program, BLX's remains available to attend any Investment Advisory Committee, Finance Committee, and City Council meetings that may be necessary. In addition to being available as needed, BLX would recommends the continuation of regularly scheduled conference calls to provide additional structure to the engagement. The purpose of these conference calls would be to review and discuss any changes to the City's circumstances or investment environment that may warrant a change or adjustment to the City's investment strategy.

Staff Training and Education: BLX prides itself on our commitment to the public sector and the efforts that we take to promote education within the public finance community. Each year, BLX conducts a series of regional workshops around the country covering topics of interest to the public sector, including: Managing Public Funds, Investing Bond Proceeds, Interest Rate Swaps, Asset-Liability Management, Arbitrage Rebate, Post-Issuance Compliance, and Secondary Market Disclosure. Moreover, because open communication is critical to the success of any investment program, and in an effort to keep interested stakeholders apprised of current market conditions and portfolio strategy/performance, BLX's investment team conducts numerous meetings and presentations throughout the year with elected officials, oversight boards, and investment committees. BLX would be pleased to work with the City to identify and develop any specific training and/or educational topics or materials the City believes would be most beneficial.

Other: As an independent investment advisor, BLX does not take possession client securities or cash during any stage of the investment process. The City's portfolio will remain held by a third party custodian (or trustee bank) that will provide security safekeeping services and help to facilitate the settlement of all portfolio/security transactions. BLX would be pleased to work with the City to review its current safekeeping arrangements and/or assist in the evaluation of alternative institutions.

In addition, BLX would be pleased to continue assisting the City in the evaluation of certain FDIC insured certificates of deposit that it may consider for purchase into the portfolio. In particular, BLX has developed proprietary methodologies for analyzing whether (a) an issuing bank contemplated for purchase is already held in the portfolio and (b) whether any currently held issuing bank was part of any merger, acquisition, or other business combination that would result in the City inadvertently taking on exposure in excess of FDIC insurance limits.

EXHIBIT “B”
COMPENSATION

VII. COST SUMMARY

Provide a fee schedule that would apply to this account. Are fees charged in arrears?

For investment advisory services requested under the scope of this RFP, BLX proposes a fee of 4 basis points (0.04%) on the average market value of assets under advisement. Such fees shall be payable quarterly in arrears as of September 30th, December 31st, March 31st, and June 30th of each year. During any term which is not a full quarterly period, such fees shall be prorated during the applicable portion of the quarterly period.

Fees for other services, including bond proceeds investments and structured products shall be separately negotiable.

What additional expenses not covered through the fee structure will be expected in order to implement your services?

The City will require the services of a custodial bank to provide safekeeping services and facilitate the settlement of transactions on behalf of the City. If selected, BLX would be pleased to assist the City in the selection of a third party custodian, or in the review of existing custodial and safekeeping arrangements.

List any other services the proposer may provide within the same cost structure that may not be identified in this request for proposal.

We understand that the requested scope of service is for non-discretionary management and would be pleased to provide discretionary investment management services within the same cost structure as that provided above should the City ever desire to change the scope of service. In addition, we would be pleased to provide either non-discretionary or discretionary management services on any available City funds not presently contemplated by this RFP as well as any current or future bond proceeds for which such service may be appropriate.

Pricing shall be identified for the entire four (4) year Agreement term. Thereafter, any proposed pricing adjustment for follow-on renewal periods shall be submitted to the City Representative in writing at least thirty (30) days prior to the new Agreement Term.

The City reserves the right to negotiate final pricing with the most qualified proposer.

BLX hereby confirms that the above-provided fee proposal shall be firm for the entire four (4) year agreement term. We further understand that any proposed pricing adjustment for follow-on renewal periods shall be submitted in accordance with the terms set forth in this Request for Proposal.

EXHIBIT “C”

KEY PERSONNEL

II. PERSONNEL

Identify and provide background information on the key person (or persons) who take the most active role(s) in the administration and management of the firm.

Craig Underwood serves as the President and Chief Executive Officer of BLX Group LLC ("BLX") and chairs BLX's management committee. In these capacities, Mr. Underwood is responsible for the overall management of and strategic planning at BLX.

Mr. Underwood joined BLX's predecessor organization, the Financial Services Group (FSG) of Orrick, Herrington & Sutcliffe in 1989. From 1989 through 1993, he was FSG's senior quantitative analyst, responsible for managing FSG's analyst staff and the production of all technical analytics.

Mr. Underwood assumed chief executive responsibility for FSG in 1998. Since 1998, he has continued to head FSG/BLX's expansion, highlighted by the acquisitions of Funds Services Advisors, a California based investment advisory firm and Dain Rauscher's arbitrage practice and the openings of offices in Dallas, Tampa, and Phoenix. Under Mr. Underwood's leadership, BLX expanded its scope of services to include investment, debt and derivative advisory services, continuing disclosure services, and program administrative services for complex securitizations. In addition to his chief executive responsibilities, Mr. Underwood is the head of BLX's advisory services practice, overseeing the firm's debt, derivative and capital market practices.

Mr. Underwood is a frequent lecturer on debt, investment and arbitrage-related matters, having addressed various industry organizations on such matters on dozens of occasions. Mr. Underwood is a co-author of the California Debt and Investment Advisory Commission's Debt Issuance Primer and a member of the Government Finance Officers Association, California Municipal Treasurer's Association, California Society of Municipal Finance Officers and several other industry organizations.

Mr. Underwood is a graduate of Princeton University where he received a BA in Politics.

Mr. Underwood is a registered investment advisor representative, holding the FINRA Series 65 license.

Provide resumes and biographical information on the investment professionals that will be directly involved in the decision-making process for the portfolio. Include the number of years at your firm, total years of experience, and professional licenses and designation.

Personnel	Role	Tenure with Firm/ Public Finance Experience
Mark Creger, Chief Investment Officer	Primary Portfolio Manager	17 years / 17 years
Manuel San Luis, Sr. Portfolio Analyst	Strategy, Trading, Reporting and Analytics	9 years / 9 years
Eric Chu, Managing Director	Design, Strategy and Analytics	20 years / 23 years
Amy Kron, Senior Investment Officer	Investment Design and Bidding	18 years / 22 years

Mark Creger – Chief Investment Officer

213-612-2198 / mcreger@blxgroup.com

Mr. Creger joined BLX in June 2001 in conjunction with the acquisition of Fund Services Advisors ("FSA"). At BLX, Mr. Creger presently serves as Chief Investment Officer and is responsible for the daily oversight of the firm's ongoing portfolio management, advisory, and consulting services. He has over 17 years of experience working with public agencies in developing investment policies, executing asset allocation and investment strategy decisions, selecting performance benchmarks, and evaluating investment programs and performance. Mr. Creger is responsible for overall management of BLX's separate account investment program nationwide. Prior to joining BLX, Mr. Creger served as the Vice President, Portfolio Services at FSA where he was responsible for the management of bond proceed and short-duration fixed-income portfolios for governmental clients.

Prior to joining FSA in 1998, Mr. Creger worked as Investment Credit Analyst with Olde Asset Management where he was responsible for performing financial, credit, and industry analysis for money market funds with total asset balances in excess of \$3 billion. In addition, he has counseled clients in the areas of goal planning, investment selection and asset allocation at Prudential Preferred Financial Services.

He holds a Bachelor of Business Administration from the University of Michigan and has successfully passed Level II of the CFA program.

Mr. Creger is also a registered investment advisor representative, holding the FINRA Series 6, 7, 24, 63 and 66 licenses.

Manuel San Luis – Senior Portfolio Analyst**213-612-2238 / msanluis@blxgroup.com**

Mr. San Luis joined BLX's Investment Advisory and Management Services division in 2006 and he presently serves as Senior Portfolio Analyst. In this capacity, Mr. San Luis works closely with senior management to review market conditions and ensure client portfolios remain invested in accordance with pre-established policy, statutory, and strategic guidelines. Mr. San Luis coordinates periodic portfolio sensitivity and simulation analysis for client portfolios and assists in quantifying and evaluating the risk and return characteristics of client investment strategies. In addition, Mr. San Luis assists in the daily execution of ongoing portfolio management services for approximately \$1.1 billion in separately managed public funds portfolios. Mr. San Luis is a magna cum laude graduate of the University of California, Berkeley where he received a Bachelor's degree in Economics with a minor in Public Policy.

Mr. San Luis has successfully passed Level II of the CFA program and is a registered investment advisor representative, holding the FINRA Series 7 and 66 licenses.

Eric Chu – Managing Director**213-612-2136 / echu@blxgroup.com**

Eric Chu is a Managing Director at BLX with over twenty years of public finance experience. Prior to returning to BLX's Los Angeles office in 2007, Mr. Chu had resided in San Francisco, and before that, in New York where he oversaw day to day operations of those offices. His expertise in financial products and in structuring arbitrage compliant solutions for complex transactions has helped BLX earn a reputation for technical excellence. His current responsibilities include overseeing BLX's derivative advisory/compliance practice as well as BLX's firmwide technology initiatives.

Mr. Chu has worked on hundreds of interest rate swap transactions in an advisory or on-going monitoring capacity. As an advisor, he has extensive experience in new transaction structuring, existing transaction workouts, ISDA document negotiation, and independent pricing of swap transactions to provide better transparency and execution levels for his clients. On an on-going basis, he assists numerous clients with swap monitoring and compliance with GASB and FASB accounting rules. He also led the development of BLX's web-based swap monitoring platform, BLXSwap, which allows clients to access their swap portfolios to monitor key data, as well as BLX's web-based GIC bidding platform, BLXBid, which allows BLX clients to conduct real time sealed bid auctions for investment related products.

He has been a featured speaker at several industry conferences including the Bond Buyer's Annual Conference and in educational seminars hosted by CDIAC. Mr. Chu was also the lead author for BLX's booklet, *Interest Rate Swaps: Application to Tax-Exempt Financing*, which was featured in its entirety in *The Handbook of Municipal Finance* by Sylvan G. Feldstein, and Frank J. Fabozzi.

A graduate of the University of California Los Angeles, Mr. Chu is a registered investment advisor representative holding an FINRA Series 65 license.

Amy Kron – Senior Investment Officer**201-963-6663 / akron@blxgroup.com**

Amy Kron is a Senior Investment Officer for the Structured Products Group at BLX. Ms. Kron joined the firm in 2000 upon BLX's acquisition of Fund Service Advisors (FSA), which she joined as an associate in 1993.

Ms. Kron is responsible for the preparation and distribution of the majority of BLX's bid solicitation materials. She is the primary liaison with the investment provider community in New York and surrounding areas. Ms. Kron has extensive experience in determining investment suitability, reviewing and drafting permitted investments language for a variety of transactions. Her connection to the provider community keeps her abreast of changes in the market, new investment opportunities and current news relating to the municipal reinvestment market.

Ms. Kron holds a BS in Business Administration from Ithaca College School of Business and a MBA from Fordham University. She holds an FINRA Series 7, 24, 63 and 65 licenses.

Describe your firm's training and education efforts to keep portfolio managers informed of developments relevant to investment managers.

BLX recognizes that providing investment advisory and management services to our public entity clients necessitates a serious commitment to remaining apprised of all legislative developments and other events that influence the public sector and the investment community in general. Our portfolio management team stays informed of market changes, macro legislative issues, and state and local specific events through real time financial news resources, subscriptions to several publications directly related to the fixed income markets and the public funds sector. These professionals are also responsible for attending training seminars and conferences within the industry that are appropriate for maintaining designations and licenses. Our portfolio management team attends training on a periodic basis and target specific opportunities that are related to the fixed income markets and the management of public funds. Additional training sessions occur as new developments within the market place occur so that our team is up to date on current trends, legislation and other factors that impact our clients' investments and the strategies we apply while maintaining a safety first focus. BLX professionals maintain memberships with various industry organizations such as the Government Finance Officers Association, the California Municipal Treasurer's Association, the National Association of College and University Business Officers, the National Association of State Treasurers, the National Council of State Housing Agencies, and other state-level organizations. Perhaps most importantly, our close relationships with existing clients are of particular importance as they provide a personal and primary link to the issues and events that affect the public sector. This is an intended result of our approach to client relationships. BLX's portfolio management team is responsible for maintaining on-going communication with the investment advisory clients. We recommend periodic conferences/in-person meetings and frequent telephone conversations between the client and portfolio manager to meet our goal of ensuring the investment management program in place is appropriate in the event of internal and/or market changes.

Has there been any turnover of proposed investment managers in the last three years?

BLX has not had any turnover of proposed investment managers in the last three years.