

**STAFF REPORT****SUCCESSOR AGENCY  
CITY OF OCEANSIDE**

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DATE: February 26, 2013

TO: The Oversight Board of the City of Oceanside Successor Agency

FROM: City Treasurer's Office

SUBJECT: **ADOPTION OF A RESOLUTION TO APPROVE A FIVE-YEAR PROFESSIONAL SERVICES AGREEMENT WITH BLX GROUP LLC OF LOS ANGELES, IN THE AMOUNT OF \$19,000 FOR ARBITRAGE CONSULTING AND COMPLIANCE SERVICES FOR SUCCESSOR AGENCY TO THE OCEANSIDE REDEVELOPMENT AGENCY**

**SYNOPSIS**

Adopt a resolution approving a five-year professional services agreement with BLX Group LLC of Los Angeles, in the amount of \$19,000 for arbitrage consulting and compliance services for the Successor Agency to the Oceanside Redevelopment Agency.

**BACKGROUND**

In 1986, the federal government enacted new tax laws that require issuers of tax exempt debt to make payments to the government any arbitrage earnings (investment earnings that exceed the bond yield) on bond proceeds and other related funds. Issuers are required to calculate once every five years (or more frequently as required by individual bond covenants) during the life of the bonds whether or not an arbitrage rebate payment must be made.

In 1997, the City elected to contract out the required arbitrage rebate calculations for all of its tax exempt bond issues, including bonds issued by the Oceanside Redevelopment Agency. BLX Group LLC (BLX) has provided arbitrage consulting and compliance consultant services to the City since 1997. There are currently four Successor Agency bond issues that require arbitrage calculations be performed in accordance with bond covenants for each individual issue.

BLX's most recent agreement with the City expired on June 30, 2012.

**ANALYSIS**

In September 2012, a Request for Proposals for arbitrage consulting and compliance services was sent to four firms and advertised on the California Society of Municipal Finance Officers website. The City received four responses. Staff from Treasury, Finance, as well as the City's bond counsel reviewed and rated the proposals. BLX Group received the highest ranking and was selected to provide arbitrage consulting and compliance services for the City.

The contract will become effective following the approval by the Oversight Board, subject to review by the California Department of Finance as provided in in Health and Safety Code section 34179(h). The contract will expire on December 31, 2017. Pricing for the contracts is fixed for the term of the contract. The overall cost of the five-year contract is \$19,000. The payment for arbitrage rebate calculation services is allocated to each respective bond issue's budget as part of the debt service annual expense.

**FISCAL IMPACT**

The cost for the five-year contract with BLX is \$19,000. For Fiscal Year 2012-2013, the cost of arbitrage rebate calculation services has been budgeted in each of the Successor Agency's four bond issues. The new contract pricing is at a reduced level; therefore no budget adjustments are necessary.

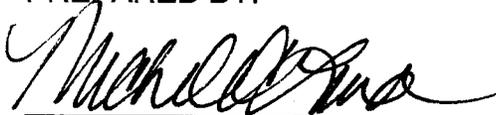
**CITY ATTORNEY'S ANALYSIS**

The referenced documents have been reviewed by the City Attorney, acting as counsel to the Successor Agency, and approved as to form.

**RECOMMENDATION**

Adopt a resolution approving a five-year professional services agreement with BLX Group LLC of Los Angeles, in the amount of \$19,000 for arbitrage consulting and compliance services for the Successor Agency to the Oceanside Redevelopment Agency.

PREPARED BY:



Michele C. Lund  
Treasury Manager

REVIEWED BY:

Michelle Skaggs Lawrence  
John Helmer, Downtown Development Manager  
Teri Ferro, Financial Services Director



Attachment: Resolution

1 RESOLUTION NO.

2 A RESOLUTION OF THE OVERSIGHT BOARD OF SUCCESSOR  
3 AGENCY CITY OF OCEANSIDE APPROVING A FIVE-YEAR  
4 PROFESSIONAL SERVICES AGREEMENT FOR ARBITRAGE  
5 CONSULTING AND COMPLIANCE SERVICES

6 WHEREAS, Assembly Bill x1 26 (AB 26) was passed by the California State  
7 Legislature, signed by the Governor, and has been codified as part 1.8 of Division 24 of the  
8 California Health and Safety Code, commencing with Section 34161; and

9 WHEREAS, Section 148(f) of the Internal Revenue Code of 1986 requires issuers of tax  
10 exempt debt to make payments to the United States Government any arbitrage earnings on  
11 bond proceeds and other related funds; and

12 WHEREAS, issuers of tax exempt debt are required to calculate once every five years,  
13 or more frequently as required by individual bond covenants, during the life of the bonds  
14 whether or not an arbitrage rebate must be paid.

15 NOW, THEREFORE, the Oversight Board of Successor Agency City of Oceanside does  
16 hereby resolve as follows:

17 Section 1. Recitals. The recitals set forth above are true and correct and incorporated  
18 herein.

19 Section 2. Approval of a Professional Services Agreement between the Successor  
20 Agency to the Oceanside Redevelopment Agency and BLX Group LLC. The Agreement for a  
21 five-year period, in an amount of \$19,000, for arbitrage consulting and compliance services, a  
22 copy which is attached hereto and incorporated herein as Exhibit A, is hereby approved and  
23 adopted.

24 ///

25 ///

26 ///

27 ///

28 ///

1 PASSED AND ADOPTED by the Oversight Board of Successor Agency City of  
2 Oceanside, California, this \_\_\_\_\_ day of \_\_\_\_\_, 2013, by the following vote:

3 AYES:

4 NAYS:

5 ABSENT:

6  
7  
8  
9 \_\_\_\_\_  
10 Chairperson  
11 Oversight Board of Successor Agency  
12 City of Oceanside

13 ATTEST:

14 \_\_\_\_\_  
15 Secretary  
16 Oversight Board of Successor Agency  
17 City of Oceanside

## **SUCCESSOR AGENCY TO THE OCEANSIDE REDEVELOPMENT AGENCY**

### **PROFESSIONAL SERVICES AGREEMENT**

#### **PROJECT: ARBITRAGE CONSULTING AND COMPLIANCE SERVICES**

THIS AGREEMENT, dated February 26, 2013 for identification purposes, is made and entered into by and between the SUCCESSOR AGENCY TO THE OCEANSIDE REDEVELOPMENT AGENCY, hereinafter designated as "SUCCESSOR AGENCY", and BLX Group LLC hereinafter designated as "CONSULTANT." This agreement shall be effective after approval by the Oversight Board and further provided no objections are provided by the California Department of Finance during the time period provided in Health and Safety Code section 34179(h).

#### **NOW THEREFORE, THE PARTIES MUTUALLY AGREE AS FOLLOWS:**

1. **SCOPE OF WORK.** The project is defined in the attached "Proposal to Provide Arbitrage Consulting and Compliance Services" (attached as Exhibit 1) dated September 24, 2012, and is more particularly described as follows:
  - 1.1 Perform all relevant arbitrage calculations, including:
    - a. A description of the amount of rebate accrued during the 5-year anniversary period;
    - b. Accumulated amount accrued over the life of the issue;
    - c. Amount of rebate paid to date;
    - d. Amount required to be paid at the end of the 5-year anniversary period and at the end of the bond term; and
    - e. Interim calculation every year to coincide with the Successor Agency's annual financial audit.
  - 1.2 Identify, and separately account for, all "Gross Proceeds" of the bond issue, including those requiring allocation analyses due to "transferred proceeds" and/or "commingled funds" circumstances.
  - 1.3 Coordinate between the Bond Trustee and the Successor Agency so all necessary information is provided to perform calculation accurately.
  - 1.4 Review all relevant portions of bond transcripts and appropriate sections of the Internal Revenue Code.
  - 1.5 Consult with bond counsel as necessary concerning interpretations of

## **Arbitrage Consulting and Compliance Services**

arbitrage information as affected by applicable sections of the Internal Revenue Code.

- 1.6 Prepare arbitrage related standard reports, based on the frequency stated in Section 1 above which accompany the detailed calculation schedules and summarize the results of the computations performed. Provide electronically one (1) copy of the report to the Successor Agency and one (1) copy to the trustee.
  - 1.7 Provide guidance and assistance to the Successor Agency with regard to arbitrage compliance and yield restriction issues.
  - 1.8 Prepare work papers upon request by the Successor Agency. Work papers used in the calculations are the property of the Successor Agency, even if retained by the analyst.
  - 1.9 Prepare any necessary IRS Forms (e.g., Form 8038-T).
  - 1.10 Represent the Successor Agency as necessary in the event of an IRS inquiry.
2. **INDEPENDENT CONTRACTOR.** CONSULTANT'S relationship to the SUCCESSOR AGENCY shall be that of an independent contractor. CONSULTANT shall have no authority, express or implied, to act on behalf of the SUCCESSOR AGENCY as an agent, or to bind the SUCCESSOR AGENCY to any obligation whatsoever, unless specifically authorized in writing by the SUCCESSOR AGENCY. CONSULTANT shall be solely responsible for the performance of any of its employees, agents, or subcontractors under this Agreement. CONSULTANT shall report to the SUCCESSOR AGENCY any and all employees, agents, and consultants performing work in connection with this project, and all shall be subject to the approval of the SUCCESSOR AGENCY.
3. **WORKERS' COMPENSATION.** Pursuant to Labor Code section 1861, the CONSULTANT hereby certifies that the CONSULTANT is aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of that Code, and the CONSULTANT will comply with such provisions, and provide certification of such compliance as a part of this Agreement.
4. **LIABILITY INSURANCE.**
- 4.1. CONSULTANT shall, throughout the duration of this Agreement maintain

## **Arbitrage Consulting and Compliance Services**

comprehensive general liability and property damage insurance, or commercial general liability insurance, covering all operations of CONSULTANT, its agents and employees, performed in connection with this Agreement including but not limited to premises and automobile.

- 4.2** CONSULTANT shall maintain liability insurance in the following minimum limits:

Comprehensive General Liability Insurance

(bodily injury and property damage)

Combined Single Limit Per Occurrence	\$ 1,000,000
General Aggregate	\$ 2,000,000*

Commercial General Liability Insurance

(bodily injury and property damage)

General limit per occurrence	\$ 1,000,000
General limit project specific aggregate	\$ 2,000,000

<u>Automobile Liability Insurance</u>	\$ 1,000,000
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\*General aggregate per year, or part thereof, with respect to losses or other acts or omissions of CONSULTANT under this Agreement.

- 4.3** If coverage is provided through a Commercial General Liability Insurance policy, a minimum of 50% of each of the aggregate limits shall remain available at all times. If over 50% of any aggregate limit has been paid or reserved, the SUCCESSOR AGENCY may require additional coverage to be purchased by the CONSULTANT to restore the required limits. The CONSULTANT shall also notify the SUCCESSOR AGENCY promptly of all losses or claims over \$25,000 resulting from work performed under this contract, or any loss or claim against the CONSULTANT resulting from any of the CONSULTANT'S work.
- 4.4** All insurance companies affording coverage to the CONSULTANT for the purposes of this Section shall add the Successor Agency of Oceanside as "additional insured" under the designated insurance policy for all work performed under this agreement. Insurance coverage provided to the Successor Agency as additional insured shall be primary insurance and other insurance maintained by the Successor Agency of Oceanside, its officers, agents, and employees shall be excess only and not contributing with insurance provided pursuant to this Section.
- 4.5** All insurance companies affording coverage to the CONSULTANT pursuant to this agreement shall be insurance organizations admitted by the Insurance Commissioner

## **Arbitrage Consulting and Compliance Services**

of the State of California to transact business of insurance in the state or be rated as A-X or higher by A.M. Best.

- 4.6 CONSULTANT shall provide thirty (30) days written notice to the SUCCESSOR AGENCY should any policy required by this Agreement be cancelled before the expiration date. For the purposes of this notice requirement, any material change in the policy prior to the expiration shall be considered a cancellation.
- 4.7 CONSULTANT shall provide evidence of compliance with the insurance requirements listed above by providing, at minimum, a Certificate of Insurance and applicable endorsements, in a form satisfactory to the Successor Agency Attorney, concurrently with the submittal of this Agreement.
- 4.8 CONSULTANT shall provide a substitute Certificate of Insurance no later than thirty (30) days prior to the policy expiration date. Failure by the CONSULTANT to provide such a substitution and extend the policy expiration date shall be considered a default by CONSULTANT and may subject the CONSULTANT to a suspension or termination of work under the Agreement.
- 4.9 Maintenance of insurance by the CONSULTANT as specified in this Agreement shall in no way be interpreted as relieving the CONSULTANT of any responsibility whatsoever and the CONSULTANT may carry, at its own expense, such additional insurance as it deems necessary.
5. **PROFESSIONAL ERRORS AND OMISSIONS INSURANCE.** Throughout the duration of this Agreement and four (4) years thereafter, the CONSULTANT shall maintain professional errors and omissions insurance for work performed in connection with this Agreement in the minimum amount of One Million Dollars (\$1,000,000.00).

CONSULTANT shall provide evidence of compliance with these insurance requirements by providing a Certificate of Insurance.

6. **CONSULTANT'S INDEMNIFICATION OF SUCCESSOR AGENCY.** To the greatest extent allowed by law, CONSULTANT shall indemnify and hold harmless the SUCCESSOR AGENCY and its officers, agents and employees against all claims for damages to persons or property arising out of the negligent acts, errors or omissions or wrongful acts or conduct of the CONSULTANT, or its employees, agents, subcontractors, or others in connection with the execution of the work covered by this Agreement, except for those claims arising from the willful misconduct, sole negligence or active negligence of the SUCCESSOR AGENCY, its officers, agents, or employees. CONSULTANT'S indemnification shall include any and all costs, expenses, attorneys' fees, expert fees and liability assessed against or

## **Arbitrage Consulting and Compliance Services**

incurred by the SUCCESSOR AGENCY, its officers, agents, or employees in defending against such claims or lawsuits, whether the same proceed to judgment or not. Further, CONSULTANT at its own expense shall, upon written request by the SUCCESSOR AGENCY, defend any such suit or action brought against the SUCCESSOR AGENCY, its officers, agents, or employees resulting or arising from the conduct, tortious acts or omissions of the CONSULTANT.

CONSULTANT'S indemnification of SUCCESSOR AGENCY shall not be limited by any prior or subsequent declaration by the CONSULTANT.

7. **COMPENSATION.** CONSULTANT'S compensation for all work performed in accordance with this Agreement over the next five years (January 30, 2013 – December 31, 2017), shall not exceed the total contract price of \$19,000.

No work shall be performed by CONSULTANT in excess of the total contract price without prior written approval of the SUCCESSOR AGENCY. CONSULTANT shall obtain approval by the SUCCESSOR AGENCY prior to performing any work that results in incidental expenses to SUCCESSOR AGENCY.

8. **TIMING REQUIREMENTS.** Time is of the essence in the performance of work under this Agreement and the timing requirements shall be strictly adhered to unless otherwise modified in writing. The CONSULTANT shall respond in the most expedient and appropriate manner under the circumstances by telephone, e-mail, fax, hand delivery or mail.
9. **ENTIRE AGREEMENT.** This Agreement comprises the entire integrated understanding between SUCCESSOR AGENCY and CONSULTANT concerning the work to be performed for this project and supersedes all prior negotiations, representations, or agreements.
10. **INTERPRETATION OF THE AGREEMENT.** The interpretation, validity and enforcement of the Agreement shall be governed by and construed under the laws of the State of California. The Agreement does not limit any other rights or remedies available to SUCCESSOR AGENCY.

The CONSULTANT shall be responsible for complying with all local, state, and federal laws whether or not said laws are expressly stated or referred to herein.

Should any provision herein be found or deemed to be invalid, the Agreement shall be construed as not containing such provision, and all other provisions, which are otherwise lawful, shall remain in full force and effect, and to this end the provisions of this Agreement are severable.

**Arbitrage Consulting and Compliance Services**

- 11. **AGREEMENT MODIFICATION.** This Agreement may not be modified orally or in any manner other than by an agreement in writing signed by the parties hereto.
  
- 12. **TERMINATION OF AGREEMENT.** Either party may terminate this Agreement by providing thirty (30) days written notice to the other party. If any portion of the work is terminated or abandoned by the SUCCESSOR AGENCY, then the SUCCESSOR AGENCY shall pay CONSULTANT for any work completed up to and including the date of termination or abandonment of this Agreement. The SUCCESSOR AGENCY shall be required to compensate CONSULTANT only for work performed in accordance with the Agreement up to and including the date of termination.
  
- 13. **SIGNATURES.** The individuals executing this Agreement represent and warrant that they have the right, power, legal capacity and authority to enter into and to execute this Agreement on behalf of the respective legal entities of the CONSULTANT and the SUCCESSOR AGENCY.

IN WITNESS WHEREOF, the parties hereto for themselves, their heirs, executors, administrators, successors, and assigns do hereby agree to the full performance of the covenants herein contained and have caused this Professional Services Agreement to be executed by setting hereunto their signatures on the dates set forth below.

BLX GROUP LLC

SUCCESSOR AGENCY TO THE  
OCEANSIDE REDEVELOPMENT  
AGENCY

By:   
Glenn R. Casterline/Managing Director

By: \_\_\_\_\_  
City Manager

By:   
Nancy Kummer/Managing Director  
51-0404065  
Employer ID No.

APPROVED AS TO FORM:  
\_\_\_\_\_  
City Attorney

**NOTARY ACKNOWLEDGMENTS OF CONSULTANT MUST BE ATTACHED.**

# CALIFORNIA JURAT WITH AFFIANT STATEMENT

- See Attached Document (Notary to cross out lines 1-6 below)  
 See Statement Below (Lines 1-5 to be completed only by document signer[s], *not* Notary)

1  
2  
3  
4  
5  
6

Signature of Document Signer No. 1 \_\_\_\_\_ Signature of Document Signer No. 2 (if any) \_\_\_\_\_

State of California

County of Los Angeles

Subscribed and sworn to (or affirmed) before me on this

15 day of February, 20 13, by  
Date Month Year

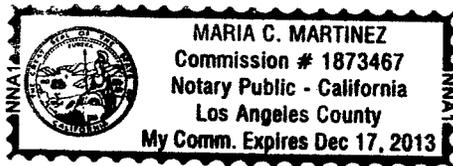
(1) Glenn R. Castertune  
Name of Signer

proved to me on the basis of satisfactory evidence to be the person who appeared before me (→) (.)

(and  
(2) Nancy Kummer  
Name of Signer

proved to me on the basis of satisfactory evidence to be the person who appeared before me.)

Signature Maria C. Martinez  
Signature of Notary Public



Place Notary Seal Above

## OPTIONAL

~~Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.~~

### Further Description of Any Attached Document

~~Title or Type of Document: \_\_\_\_\_~~

~~Document Date: \_\_\_\_\_ Number of Pages: \_\_\_\_\_~~

~~Signer(s) Other Than Named Above: \_\_\_\_\_~~

**RIGHT THUMBPRINT OF SIGNER #1**  
Top of thumb here

**RIGHT THUMBPRINT OF SIGNER #2**  
Top of thumb here



December 13, 2012

City of Oceanside  
300 North Coast Highway  
Oceanside, CA 92054

Re: Letter of Authorization

Ladies and Gentlemen:

This is to confirm that Glenn Casterline, Managing Director, is authorized to sign on behalf of BLX Group LLC. If you need any additional information, please contact me at (213) 612-2463.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Underwood", is written over the typed name.

A. Craig Underwood  
President

Exhibit 1



BLX Group LLC  
777 S. Figueroa Street, Suite 3200  
Los Angeles, CA 90017  
PH 213 612 2200  
FX 213 612 2499  
[www.blxgroup.com](http://www.blxgroup.com)

# CITY OF OCEANSIDE

## PROPOSAL TO PROVIDE ARBITRAGE CONSULTING AND COMPLIANCE SERVICES

September 24, 2012

September 24, 2012

Michele Lund, Treasury Manager  
City Treasurer's Office  
City of Oceanside  
300 North Coast Highway  
Oceanside CA 92054

Re: Proposal to Provide Arbitrage Consulting and Compliance Services

Dear Ms. Lund,

On behalf of BLX Group LLC ("BLX"), formerly known as Bond Logistix LLC, we are pleased to respond to the City of Oceanside's ("City") Request for Proposal for Arbitrage Consulting and Compliance Services ("RFP"). Having worked with the City in the capacity of Financial Advisor in 2011 and as its Arbitrage Consultant since 1989, we believe that BLX's technical capabilities, familiarity with debt profile and unsurpassed client service, combine to make us distinctly qualified to serve the City's needs.

Since our inception 23 years ago, BLX has been a wholly-owned subsidiary of global transaction law firm Orrick Herrington & Sutcliffe LLP ("Orrick"). Orrick is generally regarded as one of the most respected public finance law firms in the nation; they have been providing quality legal services to municipal issuers, underwriters, and trustees for one hundred years and have ranked first nationally as bond counsel for most of the last decade (as reported in the Bond Buyer). Orrick's Public Finance Tax Group is the largest and most experienced group of its kind.

Consistent with our Orrick heritage, BLX's operating philosophy is fortified by three important elements:

(1) **Honesty and Integrity** All representations made by BLX, whether in the form of a written report or a solicitation of business, are made with the best intentions of our firm and in the best interest of our clients. Furthermore, BLX has never been a party to any litigation for any reason.

We are aware of a rebate consulting firm that consistently refers to its network of UPS Boxes in cities across the country as "Suites," leading its clients and prospects to believe that it has "offices" in these cities. All BLX offices, where so named, are populated with actual BLX employees (we do not name Orrick offices that do not house BLX employees as offices either). We do not attempt to make ourselves appear geographically located where we are not or larger than we really are. We have no reason to; our experience speaks for itself.

(2) **Accuracy** BLX has instituted policies and procedures to ensure that all BLX analyses reflect the most recent version of the Treasury Regulations and all beneficial elections available thereunder. BLX consultants work closely with Orrick tax counsel to identify the single best technical approach to any particular analysis, or set of related analyses. Finally, BLX implements a rigorous, multi-tiered approach to report review that identifies potential errors and ensures that all possible outcomes have been considered and compared.

(3) **Client Advocacy** BLX consultants take pride in crafting services for their clients that exceed their expectations. We often uncover opportunities passed over by other consultants to optimize analyses on a prospective or a retrospective basis. Some of the projects underlying these opportunities have taken weeks or months to complete, but the net results to our clients can be in the tens to hundreds of thousands, and even millions, of dollars.

We hope that you find the information contained herein to be both informative and responsive to your needs. Should you require any other information with respect to our proposal, please call either of the undersigned at the numbers below. Thank you for your consideration and for this opportunity to present our qualifications.

Very truly yours,  
BLX Group LLC

  
Glenn R. Casterline  
Managing Director  
(213) 612-2229  
gcasterline@blxgroup.com

  
Nancy Kummer  
Managing Director  
(213) 612-2215  
nkummer@blxgroup.com

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COVER LETTER

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## 1. QUALIFICATIONS

### 1) ARBITRAGE CONSULTING AND COMPLIANCE EXPERIENCE

**Description of the firm's experience working with governments performing all of the normal duties associated with providing arbitration consulting and compliance services.**

BLX Group LLC ("BLX") has the requisite combination of relevant experience, expertise, and resources to deliver truly unparalleled arbitration consulting services to the City of Oceanside ("City"). We have a strong foundation of successful engagements with issuers similar to the City, a balanced team of administrative, analytical, and legal resources, and the capacity to be "on call" at any time to assist with changes in applicable law, inquiries by the IRS, or any issue raised by the City staff.

Since its inception in 1989, BLX has grown to become the largest provider of arbitration rebate consulting services in the country, with a total of over 2,500 clients in every U.S. State and Territory. Each year we prepare approximately 4,000 arbitration analyses and legal opinions.

In the pages that follow, we describe in specific terms how BLX is best positioned to provide the proposed services to the City. But in general terms, aside from our unmatched understanding of the City's transactions, the objective of the City should be to find a firm which offers the following:

- the best available technical and analytical services;
- the best available legal services including access to vast amount of tax counsel resources;
- the best available customer service;
- the ability to consistently identify the lowest legally permissible arbitration rebate liability;
- integration of ancillary services such as bond proceeds investment advisory services to help optimize the economics of a given bond program;
- support in the event of any IRS review or inquiry; and
- competitive pricing.

Each of the above points represents a strength for BLX. Furthermore, all BLX analyses are delivered with an Orrick, Herrington & Sutcliffe LLP ("Orrick") legal opinion, as well as a BLX professional opinion, each of which attests to the fact that the calculations were performed in accordance with applicable Treasury Regulations. These opinions, never offered lightly, are representative of the importance placed on the quality of our work.

Additionally, BLX is constantly searching for ways to make our services more cost-effective. For example, for special cases where a bond issue meets an expenditure exception, or it is otherwise obvious that an issue could not have generated positive arbitration earnings, BLX can issue a one page opinion that briefly states the facts as we know them and instructs the City that no further calculations are necessary. Such services are executed at significantly discounted fee relative to bond issues requiring an exhaustive arbitration analysis.

#### **Firm Overview**

BLX was established in 1989 to undertake the mathematical, financial, and other technical aspects of arbitration compliance for issuers and borrowers of tax-exempt debt. Since that time, we have grown to become the largest provider of such services in the country, with a total of over 2,500 clients in every U.S. State and Territory. We have more than 70 employees in seven offices in Boston, Dallas, Denver, Los Angeles, New York, Phoenix, and Tampa.

Since inception over 23 years ago, BLX has been a subsidiary of global transaction law firm Orrick Herrington & Sutcliffe LLP. Orrick is generally regarded as the premier public finance law firm in the nation; they have been providing quality legal services to municipal issuers, underwriters, and trustees for one hundred years and have been ranked first nationally as bond counsel for most of the last decade. Orrick's Public Finance Tax Group is the largest and most experienced group of its kind.

Since inception BLX has completed over 58,000 arbitrage analyses and legal opinions (more than 4,000 in 2011). Over the years BLX has completed over 10,000 arbitrage rebate compliance reports and legal opinions for over 4,000 City bond issues representing over 500 city-level issuers across the nation. Yet it is not the sheer number of reports alone that makes BLX a leader in the industry; our consultants and their collective experience combined with the experience of Orrick's Public Finance Tax Group are what truly differentiates BLX from our competitors. Because of our extensive expertise in this specialized area, many of the largest and most complex issuers in the country retain BLX to provide arbitrage rebate compliance services.

Furthermore, we are uniquely qualified to address the City's arbitrage rebate compliance needs with limited burden on City staff because we are already intimately familiar with the City's debt profile, having provided such services to the City since 1989, we have completed over 120 arbitrage analyses and legal opinions for the City's bond issues. We are not aware of any other firm with more applicable expertise in the areas of the Universal Cap provisions, commingled funds, and transferred proceeds as they relate to City bonds.

As demonstration of our experience working with cities across the country, provided below is a representative listing of some of BLX's current city engagements:

#### Partial City Engagement

City of Austin (TX)	City of Mesquite (TX)
City of Avondale (AZ)	City of Oakland (CA)
City of Bakersfield (CA)	City of Oceanside (CA)
City of Baltimore (MD)	City of Odessa (TX)
City of Beaumont (TX)	City of Ontario (CA)
City of Brea (CA)	City of Orlando (FL)
City of Brentwood (CA)	City of Palmdale (CA)
City of Burbank (CA)	City of Pasadena (CA)
City of Calexico (CA)	City of Peoria (AZ)
City of Carson (CA)	City of Pittsburg (CA)
City of Chandler (AZ)	City of Redding (CA)
City of Chula Vista (CA)	City of Rio Rancho (NM)
City of Cleveland (OH)	City of Riverside (CA)
City of Columbia (MO)	City of Sacramento (CA)
City of Flagstaff (AZ)	City of San Angelo (TX)
City of Fort Myers (FL)	City of San Jose (CA)
City of Galt (CA)	City of Sand Springs (OK)
City of Guthrie (OK)	City of Santa Barbara (CA)
City of Henderson (NV)	City of Sapulpa (OK)
City of Hercules (CA)	City of Scottsdale (AZ)
City of Irving (TX)	City of Stockton (CA)
City of Jacksonville (FL)	City of Sunnyvale (CA)
City of Las Vegas (NV)	City of Vallejo (CA)
City of Lincoln (CA)	City of Vancouver (WA)
City of Livermore (CA)	City and County of Denver (CO)
City of Long Beach (CA)	City and County of Honolulu (HI)
City of Los Angeles (CA)	City and County of San Francisco (CA)

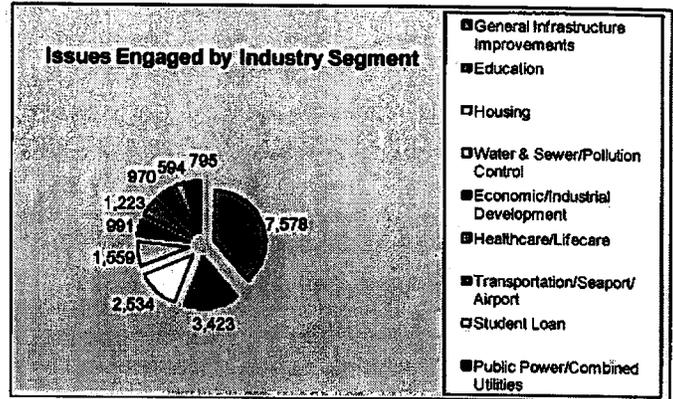
**Capabilities and Qualifications**

BLX's combination of investment, bond finance, and regulatory expertise will provide the City with the most comprehensive and valuable arbitrage consulting services available.

In contrast to those that view arbitrage rebate as an after-the-fact data entry or accounting function, BLX professionals thoroughly understand the legal, economic, and technical aspects of debt offerings and investment instruments. This expertise allows us to accommodate even the most unusual and complex circumstances, and to apply beneficial analytical alternatives when available.

As illustrated in the table and chart (next right), BLX's arbitrage rebate practice represents the full spectrum of issue types and technical complexities. The breadth of our experience enables us to recognize immediately debt and investment structures or circumstances that are otherwise foreign to firms with a narrower practice focus. We are thereby able to spend less time figuring out the issue's structure and more time optimizing the analysis of any given bond issue.

	# of Issues	Par Amount (\$billion)
Overall	19,667	1,443.62
Fixed	16,606	1,162.12
Variable	3,061	248.22
Refunding Issues	6,954	667.91
Commingled Funds	7,201	588.96



Our procedural approach (as described further in Section 1.2), our process of checks and balances, and our quick access to Orrick's expert legal resources give us a distinct advantage not only in recognizing and appropriately addressing structures with which we have prior experience, but also in isolating the single best approach to structures for which no precedent, as it pertains to proper treatment, exists.

We maintain long-standing engagements with many of the nation's largest and most sophisticated issuers. BLX's technical, financial and regulatory expertise is evidenced by the fact that BLX is often asked to assist investment banking, financial advisory, consulting, and law firms with complex structurings and problem-solving, especially as they relate to correctly applying federal tax law requirements. This level of technical proficiency far surpasses that required for many arbitrage analyses, but enables BLX to handle complex analyses when necessary and to provide issuers with a higher degree of comfort that all analyses are accurate.

**BLX Resources**

BLX's collective experience far exceeds that of any other arbitrage rebate compliance firm. Senior BLX consultants have an average of over 17 years of experience in arbitrage compliance and public finance (overall as a firm, that average is 10 years of experience). On a more personal level, Glenn Casterline who has served as the City's Project Manager in the past and will continue to serve as Project Manager if BLX is chosen to serve as the City's arbitrage rebate provider, has over 20 years experience. In addition, senior BLX managers have, in aggregate, well over 250 years of experience in the business of arbitrage consulting, a figure vastly greater than that of any other arbitrage services firm (see table next right).

Personnel	Title	Arbitrage / Public Finance Experience
Craig Underwood	President	23
Mark Perry	Managing Director	32
Sandra Stallings	Managing Director	23
Robin Schlimgen	Managing Director	21
Eric Chu	Managing Director	20
Alan Bond	Managing Director	20
Glenn Casterline	Managing Director	20
Jeff Higgins	Managing Director	19
Thomas Fox	Managing Director	17
Joanne Thorndike	Managing Director	17
Erik Dingwall	Managing Director	14
Nancy Kummer	Managing Director	14
Greg Rowan	Managing Director	14

BLX is able to take advantage of its large personnel base to target the various tasks of arbitrage rebate consulting to the most appropriate resource. This allows us to operate at the highest level of efficiency, thereby assuring the value of our services. By taking advantage of our extensive technical and regulatory expertise, we have designed a rigorous process of analysis, review, and optimization that ensures that each arbitrage analysis meets the highest standards for quality and accuracy.

**Management of Arbitrage Rebate Services Operations**

The management of our operations, our approach can be best outlined in three parts: technical approach, operational approach, and service approach. Our procedures form the basis of our business, and have enabled us to maintain our position as the nation's premier provider of arbitrage rebate consulting services.

**(1) Technical Approach:** Many firms use some form of "canned" or commercial software program to perform arbitrage calculations. At BLX, we prefer the flexibility of proprietary spreadsheet-based templates. For complex and/or customized analyses, consultants using a pre-designed software program are limited to the methodologies built into that program. It is our experience that often the best answer is produced from a methodology that is rarely used (and therefore not available in a pre-designed program) due to the additional amount of work entailed.

**(2) Operational Approach:** Part of the reason we have become the nation's largest arbitrage rebate consulting firm lies in our distinct operational structure. We have strategically deployed our resources such that each resource is dedicated to performing the component of a particular arbitrage calculation that makes that resource most efficient. Thereby, our professionals spend less time on information collection and data entry and more time examining the details of a particular analysis to uncover the approach that produces the best result for the client. The ultimate result is that our professionals gain a much greater exposure to a wider variety of scenarios and outcomes than finance professionals at any level of seniority working for competing firms.

<i>Allocation of BLX Resources</i>	Document & Statement Compilation	Data Entry	Financial Modeling	Technical Modeling	Regulatory Review
Orrick Tax and Bond Partners					•
BLX Assoc. & Managing Directors			•	•	•
BLX Senior & Managing Consultant		•	•	•	
BLX Consultant	•	•	•		
BLX Support Staff	•				

**(3) Service Approach:** Our expert technical and regulatory resources notwithstanding, we have consistently endeavored to "raise the bar" with respect to providing industry leading client services. We have identified many instances where issuers were incurring negative arbitrage on invested bond proceeds when either positive arbitrage or significantly "less negative" arbitrage positions were easily achievable. Since foregone arbitrage earnings are a dollar-for-dollar opportunity cost to the issuer, we have resolved to help issuers reduce or eliminate negative arbitrage. We have one of the nation's largest practices in the area of developing investment strategies for bond proceeds, and we have worked with a number of city level issuers. These resources would of course be available in an engagement with the City.

BLX is committed to delivering industry-leading customer service. We have been providing arbitrage consulting services to tax-exempt issuers since 1989, and over the years have had relationships with municipalities in every U.S. State and Territory. We are available at any time to provide recommendations, guidance, and any other requested support in areas where our experience and expertise are of value. We consider this approach to be part of our general scope of services and client relationship and, therefore, do not charge any additional fees to provide this type of assistance. We appreciate the perspectives and sensitivities of each issuer client, and prioritize them over current market forces – our clients always take precedence.

As part of our engagement BLX will conduct on-site review and training sessions for the City upon request. We would look forward to scheduling a time each year to visit the City to review our work, discuss any

recommendations for changes in investment strategy or accounting procedures, and share any new developments in applicable tax law or IRS enforcement activity.

### **Arbitrage Rules Expertise – Integrated Legal Expertise with Orrick, Herrington & Sutcliffe LLP**

As described earlier, Orrick's Public Finance Tax Group is nationally recognized for the depth and breadth of its expertise in tax matters related to public finance. The great diversity of Orrick's public finance practice (both geographically and in types of issues) has exposed the Public Finance Tax Group to almost every legal issue that has arisen concerning the tax aspects of municipal bonds.

The Public Finance Tax Group plays an essential role in BLX's arbitrage rebate compliance practice. Because compliance with Federal arbitrage regulations (and general tax law) requires ongoing legal interpretation of both applicable regulations and relevant bond documents, the Public Finance Tax Group works closely with BLX in our arbitrage compliance practice. BLX applies the regulations on a transaction by transaction basis, thereby identifying complexities and dealing with them according to applicable law instead of trying to fit circumstances unique to a transaction into a general methodology.

In our experience, the ability to carefully sort through the different rules contained in several previous versions of the regulations and guide the issuer to make proper and beneficial elections as permitted by these regulations can reduce rebate liabilities by tens or even hundreds of thousands of dollars. The rebate areas in which we feel legal analysis is advantageous, or even required, include:

- transferred proceeds analyses
- allocation of commingled funds
- treatment of yield restricted funds
- treatment of pooled investments
- elections into (or out of) certain regulations
- availability of transition rule or exception relief
- variable rate bond yield computations

While firms lacking legal resources may be able to arrive at a compliant result, they are unable to review a complete universe of allocation methodologies because they do not have expert tax counsel, available to BLX through its relationship to Orrick, to give them guidance as to what constitutes a legally meaningful interpretation of the relevant arbitrage regulations. Further, many firms lack any professional certification, and are thus unable to give an opinion that holds them accountable to any prescribed set of professional standards, which may expose the City to additional liabilities for which it has limited, if any, recourse.

**The Importance of the Orrick Legal Opinion:** Compliance with the arbitrage rebate rules under the Treasury Regulations is a condition of maintaining the tax-exempt status of the City's bonds. Performing an arbitrage rebate calculation incorporates both technical skills and legal expertise to ensure conformity with the legal requirements of the Tax Regulations.

To protect the tax-exempt status of your bonds, it is important that the opinions offered to the City not only address the mathematical accuracy of the calculations but also the legal adequacy of the methodology chosen. However, all legal opinions offered to the City are not the same. Certain firms may offer an opinion from a sole practitioner tax attorney who may not be actively involved in the issuance of tax-exempt bonds. Issuers and borrowers should remember that a legal opinion is more than just a piece of paper, and should reflect the involvement of experienced tax counsel with strong credentials. We believe that it is vital that tax counsel, actively involved in the ongoing issuance of tax-exempt bonds, provide legal oversight. The legal opinion offered with each BLX analysis is a written conclusion of the review of the legal documents, the calculations, and the methodological choices.

**IRS Audits:** In light of the IRS's recently increased enforcement efforts specifically in the arbitrage rebate and yield restriction areas, we strongly believe that BLX's depth of financial expertise combined with Orrick's unmatched legal expertise provides issuers with the highest level of comfort available. We are confident that BLX's direct experience with the IRS and its audit agents on arbitrage-related matters greatly surpasses that of any other firm.

BLX has provided support and advice to its clients for IRS inquiries ranging from simple questionnaires to more rigorous audits. BLX analyses have in all cases been shown to be methodologically sound and numerically accurate. The importance of this experience to the City is that the IRS is familiar with BLX and its professionals, its report format and its methods, and that BLX has a spotless record in its dealings with the IRS on behalf of its clients.

**Assurance:** Our unique combination of relevant experience, resources, and expertise allows BLX not only to provide the City with the highest quality of service, but to do so most efficiently and effectively. BLX will ensure that all aspects of the Treasury's arbitrage rebate and yield restriction regulations have been appropriately applied to all calculations performed by BLX. Standard to our service approach is the assurance that all calculations and reviews will be performed in a timely and efficient manner and will incorporate supporting schedules, notes and assumptions. All BLX analyses are accompanied by an Orrick legal opinion that attests that the calculations have been performed in accordance with applicable tax laws, as well as a BLX professional statement certifying the mathematical accuracy of the calculations. These opinions, never offered lightly, are representative of the importance placed on the quality of our work.

**Unparalleled Tax Resources:** While other firms may find the prospect of changing tax laws burdensome, we see such changes as potential opportunities to provide additional benefit to our clients. Although most changes in tax law are applicable prospectively, many are retroactively available by election. Our approach is to first carefully analyze the changes in tax law and then develop a transaction profile for issues that are or may be affected from an arbitrage or yield restriction perspective. For example, when the 1993 Regulations were introduced we developed a list of the pros and cons of electing into the 1993 Regulations. By utilizing this check list, we were able to efficiently identify candidates that might benefit from electing into the 1993 Regulations and notified our clients accordingly. The table below summarizes some of the methodologies BLX has applied and the approximate, cumulative savings that have accrued to BLX's clients as a result. The estimates provided are conservative.

Savings Achieved	
Methodology Employed	Approximate Savings
Allocation and Valuation Analysis	\$ 16 Million
Variable Rate Optimizations	\$ 9 Million
Various Elections	\$ 6 Million
Rebate Refund Requests Successfully Retrieved	\$ 20 Million

By working closely with Orrick's Tax Group, BLX is made aware of any relevant changes in municipal finance and related tax law that would change our interpretation of the arbitrage rules. Although interpretation changes occur rarely, they may be initiated by the release of Technical Advice Memorandums or Private Letter Rulings issued by the IRS offering guidance, where there formerly was none.

The regulations are certainly not black and white, and occasionally, our interpretation of the arbitrage rules might change. Generally, such a change in interpretation comes about in areas that are not clear-cut and that are relatively newer (hedges, derivatives, etc.) or not well explained in the regulations. In the event of a change in our interpretation of arbitrage rules, working with Orrick, we would consider on a case-by-case basis, the materiality and applicability of such differing interpretation.

**The BLX Difference – Experience with Pennsylvania Economic Development Financing Authority**

In August of 2010, a borrower for the Pennsylvania Economic Development Financing Authority (the "Borrower"), engaged BLX to review an arbitrage report completed by Arbitrage Compliance Specialist, Inc. ("ACS"). Specifically, ACS had calculated a rebate liability of \$1.25 million. Because the Borrower was surprised that the rebate liability calculated by ACS was so high, the Borrower hired BLX to review ACS's calculation to determine whether it was accurate.

BLX reviewed the analysis and determined that the ACS calculation of the rebate liability was mathematically accurate. However, BLX identified a different approach to valuing the investments that were held in two Reserve Funds that raised the potential for significantly lowering the rebate liability. The

Borrower consulted Orrick, its Bond Counsel, and agreed to have BLX implement its approach. BLX's completion of the more complicated analysis resulted in substantial savings for the Borrower. As a consequence, BLX was able to reduce the Borrower's rebate liability payment and realize an immediate savings of \$500,000. Additionally, in future years, continuing to use the technique identified by BLX will yield future savings of approximately \$800,000 for total savings of \$1.3 million over the life of the Bonds.

*The special expertise to pursue complex solutions such as these, our wealth of knowledge and experience, and our tax oversight from Orrick, sets BLX apart from all other arbitrage rebate providers.*

**Please include a recent list of local agencies for which your firm provided arbitrage consulting and compliance services.**

Please see Exhibit 1 for a partial listing of local current engagements for whom Nancy Kummer and Glenn Casterline serve as Arbitrage Consultant and Compliance Project Managers. Additional listing may be provided upon request.

## 2) PROPOSED SERVICES

**Description of the arbitrage consulting and compliance services the firms propose to perform.**

For each of our arbitrage rebate engagements, we follow the work plan outlined below.

1. Upon engagement of a new transaction, our initial efforts will be dedicated to compiling and formatting any required records and documentation not currently in our possession;
2. We subsequently establish a new record in our file center, and enter the subject transaction on our tickler/tracking database systems, whereby all relevant information about a particular bond issue, including notifications of upcoming rebate calculations and rebate payment dates, is easily recalled. This enables us to provide timely reporting to all BLX clients;
3. Glenn Casterline and Nancy Kummer, Co-Project Managers, will then allocate the transaction to a consultant assigned to the project based on issue type, complexity, and prior experience;
4. The consultant will next review the relevant materials to initially determine (1) applicable law, (2) existence and location of Gross Proceeds, and (3) yield calculation considerations;
5. The consultant then develops a recommended approach, taking into consideration the availability of election and exception relief, and the effect of transferred proceeds and/or commingled funds on the calculation;
6. The consultant's preliminary findings and recommended approach are presented to one or more of a Senior or Managing Consultant, Associate or Managing Director, and/or Tax Partner and approved or modified as appropriate;
7. The consultant reviews each investment purchase, receipt, sale, and disposition to compile the net cash flow of relevant non-purpose receipts and payments. This analysis determines the amount of arbitrage liability that has been incurred as a result of such investments;
8. The consultant's draft report undergoes a peer review. Consultants discuss the application of alternative allocation, valuation, or regulatory provisions to see if the initial result can be improved;
9. The results and analysis are considered for further improvement and approval by a Managing Director and an Orrick Tax Partner;
10. A final report, accompanied by an **Orrick legal opinion** and a summary of computational assumptions is prepared. The legal opinion affirms that the analysis was performed in accordance with all applicable laws, rulings, and regulations. The summary of computational assumptions includes a summary of relevant dates, elections, and exceptions, and an outline of the methodology employed; and
11. Any necessary IRS forms, for example IRS form 8038-T, are prepared and forwarded to the City for signature.

## **Procedural Approach**

BLX has designed a rigorous system of checks and balances to ensure that all arbitrage analyses are both timely and accurate. Our review process involves increasingly experienced consultants, each of whom approaches a given analysis with a distinct and fresh viewpoint. The entire process is validated by the legal review performed by Orrick's expert tax lawyers.

BLX maintains a database monitoring system whereby all relevant information about a particular bond issue, including notifications of upcoming rebate calculations and rebate payment dates, is easily recalled. This enables us to provide timely reporting to all BLX clients.

We have read carefully and fully understand the "Scope of Services" as set forth in RFP. Provided below is a detailed step by step description of the tasks BLX employs to ensure the highest quality arbitrage consulting services available.

### **A. Discovery and Administration**

**Collect Data** Upon engagement of a new bond issue, our initial efforts are dedicated to compiling and formatting any required records and documentation not already in our possession. BLX always tries to identify the most efficient and cost-effective sources for obtaining the required legal documents and investment records.

**Verify the Need for Analysis** To avoid unnecessary work, as soon as basic documentation is available for a particular bond issue, we verify that the issue is, in fact, subject to the rebate requirement. If so, we seek any readily ascertainable facts and circumstances which would allow us to conclude (a) that no positive arbitrage could have been generated or (b) that there would be no value in knowing exactly how much negative arbitrage had been incurred.

**Create BLX Database Tracking** Once the need for analysis is confirmed, we open the necessary files in the firm's records center and enter the subject transactions in our extensive SQL database tracking system. This ensures that reports are delivered in a timely fashion and that all pertinent details of a particular transaction can be accessed by the BLX professionals that will be involved in the production, review, and delivery of the analysis.

**Assign a Primary Consultant** The transaction is assigned to a consultant based on issue type, complexity, similarity to prior analyses prepared by that consultant, and the consultant's current work load. At this time, or as soon thereafter as practicable, we also determine whether it is legally required or otherwise advisable to undertake the analysis in conjunction with those for one or more other technically related issues

**Conduct Initial Legal Review** Working with a BLX Project Manager and/or Orrick Tax Partner, the assigned consultant will review the legal documents of the bond issue to uncover any unusual or unique elements to the transaction which would influence the initial direction of the arbitrage analysis.

### **B. Financial Modeling**

**Devise an Initial Approach** The consultant reviews relevant materials to determine:

- a) applicable laws, rules, and regulations,
- b) existence and location of "Gross Proceeds" (as that term is defined in the Code),
- c) rebate calculation considerations, and
- d) what general and/or elective exceptions are available to Gross Proceeds of the issue.

**Confirm the Approach** The consultant obtains approval for his/her recommended approach from the Project Manager.

**Calculate the Bond Yield** All arbitrage rebate analyses BLX provides include a verification of the bond yield for arbitrage purposes. Yield is calculated in accordance with applicable regulations taking into account any provisions for optional or early redemption and the application of any qualified guarantee fees.

**Calculate the Cumulative Rebate Liability** The consultant applies the following approach to determining the cumulative rebate liability:

- a) identify and separately accounting for all Gross Proceeds of the bond issue, including those requiring allocation analyses due to "transferred proceeds" and/or "commingled funds" circumstances;
- b) identify and valuing Gross Proceeds that remain unexpended at the Calculation Date;
- c) apply the arbitrage yield to the net non-purpose investments cash flow to determine the future value (cumulative arbitrage liability, penalty-in-lieu of rebate liability, and/or any existing yield restriction liability) of such cash flow;
- d) determine whether alternative allocation and/or valuation methods will improve the initial result;
- e) determine whether applying alternative regulatory provisions will improve the initial result.

### C. Review, Optimization and Verification

**Managing Consultant Review** The consultant's draft is reviewed by a Managing Consultant. Opportunities to optimize and subsequently compare alternative approaches to the analysis are discussed, agreed upon and executed.

**Project Manager Review** The draft analysis is reviewed by the Project Manager for opportunities to further optimize the analysis. At this level, the review may involve conference calls with other Managing Directors, often including an Orrick Tax Partner. At this level alternative investment strategies will be considered, and the incremental benefits enumerated where appropriate, for presentation to the City under separate cover.

**Tax Partner Review** The draft report is reviewed by one or more Orrick Tax Partners.

**Verification** Once all reviews have been completed the consultant incorporates any modifications to the methodology and edits all typographical errors discovered during the review process. The accuracy of the final analysis is verified by the Project Manager.

### D. Disbursement

**Prepare the Final Report** Subsequent to verification, a final report, including the following, will be assembled and delivered to the City on the required date:

- a) documentation to support all calculations;
- b) a summary of methodology employed, major assumptions, conclusions, and any recommendations for changes in record keeping;
- c) a legal opinion attesting that our analysis was prepared in accordance with applicable federal tax law;
- d) any necessary filing materials, including IRS Form 8038-T and payment explanations;
- e) notification, usually under separate cover or verbally, of any problems and/or opportunities of which we became aware during the course of our analysis.

**Prepare the Status Report** We provide a rebate status report of all outstanding issues which sets forth the arbitrage yield, temporary/spend down restrictions and deadlines, next rebate calculation date, and the most recently calculated rebate liability.

**Update BLX Database Tracking System** The consultant will update the relevant elements of our database tracking system, to allow BLX in the future to quickly access and compare each of our client's bond issues under engagement, and to automatically notify the BLX consultant in advance of the next anticipated computation date.

**Update and Maintain Records** Lastly, the consultant will organize all documents and records gathered in support of the recently completed calculations for placement in the red-well file created to store the historical information relating to each individual bond issue. Each file is tracked using a bar code mechanism and will either be kept in BLX's offices or sent to offsite storage for long term safekeeping. BLX has never discarded any information relating to any calculations performed and is often the only existing member of a financing team in possession of a full set of documents and records.

## E. Follow up

**Confirmation** Subsequent to delivery of the report, the assigned consultant will call the City to make sure it is in possession of the report, that the service has been executed to its satisfaction, and to answer any questions the City may have regarding the analysis performed.

### Methodological Discretion

Many firms view arbitrage rebate, and thus their own services, as an after-the-fact accounting function. Correspondingly, their technology and resources are sufficient only to identify, in many cases, the simplest arbitrage rebate result for a given bond issue. They then just move on to the next project. No attempt is made to pursue the optimal result to a given analysis through alternate valuation methodologies or beneficial elections, nor is any attempt made to help the issuer to integrate arbitrage results into a general financing strategy. Such firms seem even to state proudly that "arbitrage rebate is all they do," as if it makes sense to isolate tax compliance matters from other financing decisions.

BLX regularly provides support to its clients in a variety of areas outside the scope of a traditional arbitrage consulting engagement. The following are examples of circumstances in which we would apply methodological discretion. Most of these have applied to work we have done for the City over the years.

**Commingled Funds:** Commingled funds arise when gross proceeds of a bond issue that are subject to the arbitrage requirements are commingled with any other type(s) of monies (including gross proceeds that are eligible for an exception, proceeds of another tax-exempt bond issue, or non-bond proceeds). This can be especially relevant in the context of replacement refundings, financings that have both taxable and tax-exempt components, parity reserve funds, and variable rate issues. An "allocation analysis" must be undertaken to allocate (legally and to the optimal economic effect) investments and or expenditures to the various types of monies. Various consistently applied methodologies are allowed by the tax regulations. Which methodologies are finally applied will be determined by the parameters of the particular bond issue. Failing to identify and properly treat commingled funds will result in an incorrect calculation of arbitrage liability.

**Universal Cap Provisions of the Tax Regulations:** Generally, the Universal Cap provisions state that, starting (at the latest) with the end of the first bond year that follows the second anniversary, the balance of gross proceeds allocated to a bond issue for arbitrage rebate purposes must not exceed the value of the outstanding bonds. A legally accurate and economically optimal application of the Universal Cap provisions is not within the capabilities of most arbitrage rebate compliance firms, yet this is one of the most important areas requiring methodological discretion to arrive at the most favorable result. We would encourage the City to look for evidence of expertise in this area in all arbitrage rebate proposals it receives.

**Variable Rate Bonds:** Variable rate bonds present a unique set of challenges in determining the best arbitrage rebate result for a given issue. Because the balance of nonpurpose investments of a given issue is rarely the same as the balance of outstanding bonds (aside perhaps on the date of issue), the tax regulations allow an issuer to select among a number of different "yield period" scenarios within the five-year reporting period. This is above and beyond the traditional flexibility to change the bond year. In cases where the yield on the bonds declines after all or most of the proceeds have been spent, issuers can be presented with a surprise positive arbitrage liability. Careful bond year selection and yield period optimization can address this problem. However, this can be a demanding task, especially when rates have been volatile in a given five-year period. In our experience, we are the only firm in the country capable of effectively dealing with the most complex of circumstances of this type.

**Transferred Proceeds:** Transferred proceeds analyses can give rise to differing, often incorrect, methodological approaches among arbitrage consulting firms. Transferred proceeds arise in connection with refunding and refunded bonds and can significantly complicate the process of identifying the gross proceeds of a particular bond issue. BLX has unmatched experience in these matters, having performed such analyses for virtually every issuer type and tax-exempt debt instrument. As in the case of commingled funds, poorly prepared transferred proceed analyses can accrue significant unnecessary monetary costs to the issuer or cause unnecessary scrutiny from investors and regulators due to noncompliance with the Regulations. Transferred proceeds analyses are among the *most* demanding in

the public finance industry, and it should not be assumed that all arbitrage consultants are competent to perform the most difficult of such analyses.

**Market vs. Present Value of Securities:** In addition to flexible allocation methodology, the Regulations allow several methods of valuing securities held as of a computation date, transferred proceeds date, or other applicable allocation date. Because arbitrage rebate analyses are based on the nonpurpose payments and receipts through computation and transferred proceeds dates, securities held as of such dates must be valued to represent a receipt or disposition of principal and accrued interest. The tax regulations allow such valuations to be determined based on (i) market value, (ii) present (accreted) value, or (iii) plain par (i.e., a security purchased with a de minimis amount of original issue discount or premium), and the choice can have tremendous impact on the bottom line rebate liability. BLX evaluates the merits of these three valuation methods on a case-by-case basis, and appraises the client of the advantages and consequences associated with each.

Unlike the case with commingled funds or transferred proceeds, a consultant who foregoes comparing market vs. present value of securities in the process of calculating the arbitrage liability does not risk preparing an incorrect analysis (excepting a small subset of circumstances where a particular valuation methodology is required by the regulations). Rather, the consultant risks preparing a less than optimal analysis of the arbitrage liability. Since we believe that an arbitrage analysis is a valuable tool for investment planning and monitoring, such inefficient analyses may have undesirable, and unexpected, results.

**Optional Elections:** Opportunities to apply beneficial elections often surface with regard to parity reserve and similar commingled fund structures, refundings, variable rate bond structures, and structures where little precedent exists with regard to how the arbitrage rebate and yield restriction regulations should apply. BLX has demonstrable experience and success in identifying such opportunities. Furthermore, the integration of Orrick's expert resources in the execution of the resultant analyses is imperative in the validation of such analyses. Identifying and successfully incorporating optional elections into arbitrage analyses can have a major impact on the bottom line arbitrage rebate liability.

*Given the size and breadth of our arbitrage rebate consulting practice, the technical abilities of our consultants, and the invaluable legal resources at our disposal, we have applied our expertise in each of the areas above literally hundreds (in some cases thousands) of times. We would be pleased to provide any number of specific examples upon request. In some cases our experience with a certain type of analysis exceeds the experience of other firms' entire practice.*

### 3) RECORDS RETENTION POLICY

**Records retention policy surrounding the work papers utilized for the arbitrage rebate calculation.**

BLX will maintain printed copies of all investment records, arbitrage rebate reports and bond documents as well as a PDF version of all arbitrage rebate analyses prepared for a given issue for at least six years after a given issue's final maturity date, as well as provide assistance and consultation for records and documentation retention. Since our founding over 23 years ago, we have kept all records in connection with all our engagements.

Through our current rebate engagement with the City, we have accumulated the required documentation, including relevant official statements, tax certificates, bond resolutions, verification reports, and other various documents, for all currently outstanding bond issues.

### 4) AVAILABILITY

**The firm's staff availability to City staff for consultation (including the firm's local presence, if any) and how you would maintain communication with City staff on the firm's responsibilities under the contract.**

BLX takes an individualized approach to providing arbitrage compliance services. Open communication allows us to achieve a clear understanding of the unique characteristics, circumstances, and objectives of each client. As described in the proposal, Glenn Casterline and Nancy Kummer will serve as Co-Project Managers.

BLX personnel will consult with the City personnel on a regular basis with regard to (1) technical application of the Treasury regulations (2) pending or finalized modifications to the Treasury regulations (3) optimal investment vehicles for upcoming and outstanding bond issues (4) modifications to the City's procedures that may make the administration of the engagement more efficient (5) questions about investments, financial structures or the Treasury regulations not anticipated in this response.

Issuer education is an important aspect of our arbitrage consulting services; we would recommend that the City demand such a commitment from whichever firm it selects.

We propose that the contemplated project be managed from our Los Angeles office, which is staffed with 20 full time consultants. Additional BLX professionals from our Dallas, Phoenix, New York, and Tampa offices, staffed with more than 25 additional arbitrage rebate compliance professionals, will be available as necessary.

#### **Proposed Office**

##### **BLX Group – Los Angeles**

777 S. Figueroa Street, Suite 3200

Los Angeles, CA 90017

PH (213) 612-2200 / FX (213) 612-2499

Furthermore, BLX possesses a unique combination of relevant experience, resources, and expertise required to (1) consistently identify the lowest legally permissible rebate liability on the immediate and all related bond issues, (2) provide timely service with minimal imposition on City staff, (3) advise the City on how best to integrate arbitrage considerations into its overall financing and investment strategies and (4) serve as a resource for the City. Municipal issuers that hold their rebate consultant to any lesser standards often invite exposure to substantial direct, indirect, and opportunity cost.

BLX is uniquely positioned to meet any scheduled requirements, as well as to respond quickly to any requests for additional support outside the traditional scope of an arbitrage services engagement. As mentioned, our internal tracking software notifies the members of the assigned professionals well in advance of scheduled computation dates, allowing us to maintain smooth work-flow and react to any unforeseen circumstances. For many smaller or less technically capable firms, an engagement with the City might represent a significant strain on firm resources. Not so with BLX; we have the additional capacity to consistently exceed the City's expectations with regard to timely and accurate reporting.

## **5) RESUMES**

### **Resumes of key personnel who would be assigned to this contract.**

The Project Team that BLX will assign to work with the City consists of BLX's most experienced and appropriately skilled professionals. All team members will be available on a full-time basis. Glenn Casterline will serve as Client Service Manager and will address any day-to-day concerns and/or needs in connection with our proposed engagement. He will also assist with analytical strategy and report design. Nancy Kummer will serve as Co-Project Manager and in addition to establishing strategy and design with Mr. Casterline will coordinate efforts of other team members. Daniel Chang and Michelle Chung will lead the analytical process and report production, with support from other BLX professionals as necessary. Larry Sobel, Orrick Senior Tax Partner, will provide the legal analysis which is an integral part of our services.

Mr. Sobel is not simply a sole-practitioner like that available to other, smaller arbitrage consulting firms; rather he represents the Orrick Tax Group, the most highly-regarded public finance tax counsel group of its kind in the country.

Having provided arbitrage calculation and related consulting services to hundreds of municipalities across the country, BLX professionals are widely considered to be among the nation's leading non-attorney experts in tax matters relating to municipal bond financing. We are confident that the collective experience of the core team presented below exceeds that proposed by any other firm, in some cases even exceeding the experience of the entire firm.

Personnel	Title	Role	Location
Glenn Casterline	Managing Director	Client Services/Co-Project Manager	Los Angeles
Nancy Kummer	Managing Director	Co-Project Manager/Report Review	Los Angeles
Larry Sobel	Senior Tax Partner, Orrick	Legal Analysis	Los Angeles
Daniel Chang	Associate Director	Report Production	Los Angeles
Michelle Chung	Associate Director	Report Production	Los Angeles

#### **Glenn Casterline – Managing Director**

Mr. Casterline has over 19 years of public finance experience. He applies his expertise by primarily focusing on BLX's arbitrage rebate compliance services, investment advisory, and interest rate swap advisory services. He is also a frequent speaker conducting seminars on these topics throughout the country.

Mr. Casterline serves as project manager for many of BLX's largest clients including the City, the City of Los Angeles (CA), the City of Long Beach (CA), and Riverside County (CA), and the City and County of Denver (CO). In his capacity as project manager for these issuers, Mr. Casterline has developed an extensive track record of building strong working relationships with issuer staffs and, as a result, has encountered practically all issuer debt, investment, and accounting practices.

Mr. Casterline is a 1991 Finance graduate of California State University, Fullerton and is a registered investment advisor representative holding an FINRA Series 65 license.

#### **Nancy Kummer – Managing Director**

Ms. Kummer is a Managing Director of BLX's Los Angeles office and heads our firm's California arbitrage rebate practice. She oversees the production of broad-spectrum quantitative analytics including bond proceeds placement diagnostic, arbitrage rebate optimization and overpayment recovery, bond sizing, yield restriction compliance, and cash flow sufficiency verification.

Since joining the group 14 years ago, Ms. Kummer has been providing premium quality post-issuance services to such complex entities including the City, the State of California, the City of Los Angeles, the City of Sacramento, Waste Management Inc., and the City of Seattle. Her extensive exposure to tax issues, coupled with outstanding technical and analytical skills, affords her the flexibility to tackle the most complex post-issuance analyses. In addition to leading the extensive training program for new BLX consultants, Ms. Kummer frequently conducts seminars on the topic of arbitrage rebate compliance for clients nationwide.

Ms. Kummer graduated magna cum laude from the University of California at Los Angeles with a Bachelor of Arts degree in Business Economics and Accounting. Ms. Kummer is a registered investment advisor representative, holding FINRA Series 28 and 65 licenses.

#### **Larry Sobel – Senior Tax Partner, Orrick**

Mr. Sobel is a partner in Orrick's Tax, Employee Benefits and Personal Estates Department and a member of the firm's Public Finance Tax Group. He heads the tax practice for Orrick's Los Angeles office, and has partner oversight responsibility for BLX. Mr. Sobel has over 30 years of experience in federal tax laws and regulations relating to all types of tax-exempt financings. As both bond and underwriters counsel he has been responsible for structuring and analyzing the tax aspects of many tax-exempt financings in California. His experience includes financings for private companies, both through governmental issuers and as direct offerings. Also, as one of the primary tax attorneys for Orrick's arbitrage rebate practice, Mr. Sobel has provided legal advice and opinions for literally thousands of bond issuers, including many of the nation's largest (e.g. State of California, WPPSS, MEAG, City of Los Angeles, etc.).

Mr. Sobel has given numerous lectures on a variety of tax-exempt financing issues for such organizations as the Government Finance Officers Association, the Practising Law Institute, and the National Coalition of Redevelopment Agencies; topics he has addressed include "Tax-Exempt Financing: After the Tax Reform Act" and "Redevelopment Financing in the Future." He also serves as a faculty member and lecturer for the Bond Attorneys' Workshop of the National Association of Bond Lawyers.

He is a member of the Committee on Tax-Exempt Financing for the American Bar Association's Section on Taxation. He is also a member of the National Association of Bond Lawyers.

Mr. Sobel earned a J.D. *cum laude* in 1976 from the University of Pennsylvania Law School. He received a B.S. from Drexel University in Pennsylvania.

**Daniel Chang – Associate Director**

Mr. Daniel Chang joined BLX in June 2000. Mr. Chang graduated from the University of California at Irvine, with honors, where he received a Bachelor of Arts degree in Economics, with a minor in Business Management. Prior to joining BLX, Mr. Chang worked for Pacific Life and Morgan Stanley Dean Witter where he developed strong quantitative and analytical skills. At BLX, in addition to being responsible for a team of consultants at the Los Angeles office, his primary responsibilities are focused on report production, technical review of arbitrage rebate analyses, training new consultants, working with the Internal Revenue Service with respect to refund claim opportunities, and developing special projects. Furthermore, Mr. Chang has personally completed arbitrage rebate analyses for many of BLX's largest and most sophisticated clients including the City and County of Denver (CO), Clark County (NV), the County of Sacramento (CA), Monterey County (CA), El Dorado County (CA) Santa Clara County (CA), Orange County Sanitation District (CA), California Statewide Communities Development Authority, the State of Wisconsin, the City of Los Angeles (CA), the City of Folsom (CA), the City of Brentwood (CA), and the City of Long Beach (CA).

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

**Michelle Chung – Associate Director**

Ms. Chung joined BLX in January of 2000. Ms. Chung graduated from the University of California at Irvine with a Bachelor of Arts degree in Economics. At Irvine, Ms. Chung garnered both *magna cum laude* and Phi Beta Kappa honors in recognition of her outstanding academic achievement. Prior to joining BLX, Ms. Chung further developed her excellent analytical skills as an analyst in the Secondary Marketing Department of the First Alliance Mortgage Company. While at First Alliance Ms. Chung's responsibilities included the monitoring of securitization pools and the preparation of reports that assisted management in making strategic assessments of secondary marketing and other finance related activities. Ms. Chung's strong academic and work experience makes her a valuable addition to BLX. Ms. Chung's current primary responsibilities are focused on the technical review of arbitrage rebate analyses, training new consultants, working with the Internal Revenue Service with respect to refund claim opportunities as well as the production of arbitrage rebate analyses. She has completed arbitrage rebate analyses for many of BLX's largest and most sophisticated clients such as El Dorado County (CA), County of Maui (HI), City and County of Honolulu (HI), King County (WA), County of Sacramento (CA), Seattle Housing Authority (CA), Waste Management, Inc. (TX), the Los Angeles County Metropolitan Transportation Authority, the City of Los Angeles (CA), the City of Brentwood (CA), the City of Pasadena (CA), City of Long Beach (CA), and West Basin Water District.

Ms. Chung is a registered investment advisor representative, holding a FINRA Series 65 license.

## 2. REFERENCES

Provide a minimum of three (3) local agency references for which your firm has provided arbitration consulting and compliance services, including a list of specific services provided for each. Information provided shall include Client name and title, phone number and email address.

### City of Los Angeles

Natalie Brill, Chief of Debt Management  
Chief of Debt Management  
Office of the City Administrative Officer  
200 N. Main St., Room # 1500 - City Hall East  
Los Angeles, CA 90012  
213-473-7526  
natalie.brill@lacity.org

### City and County of Denver

Chris Reno, CPA  
201 W. Colfax, Department 1109  
Denver, CO 80202  
720-913-5195  
chris.reno@denvergov.org

### City of Long Beach

David Nakamoto  
Treasury Operations Officer, Investments  
333 West Ocean Boulevard, 6th Floor  
Long Beach, CA 90802  
562-570-6169  
David\_Nakamoto@longbeach.gov

### County of Riverside

Christopher Hans  
4080 Lemon Street, 4th Floor  
Riverside, CA 92501  
951-955-1145  
chans@rceo.org

### City and County of San Francisco

Nadia Sesay  
One Dr. Carlton B. Goodlett Place, Suite 33  
San Francisco, CA 94102  
415-554-5956  
Nadia.Sesay@SFGOV.ORG

Additional references will be provided upon request.

### 3. FEE SCHEDULE

**Please provide a schedule of all applicable fees and charges. Please clearly identify any one-time charges.**

When comparing the fees listed below to those of other firms, the City should keep in mind that BLX does not attach additional fees for the legal consultation provided by Orrick's expert tax counsel in the preparation of rebate analyses.

The fees listed below would apply to any prospective issues of the City added to the engagement during the initial and any expended contract periods.

<u>Base Fee Service</u>	<u>Fee</u>
Report Fee (per report)	<b>\$995</b>
<b>Additional Fee</b> (per report, as appropriate)	
Computation Period in excess of 12 Month (per additional year or fraction thereof)	<b>\$150</b>

It is always our goal to provide premium services to our clients, but we are firmly committed to NOT recommending calculations which appear to be unneeded. We would be doing the City, our client, a disservice if we insisted on calculations that are unnecessary.

Though BLX is perfectly capable of performing annual calculations, we want to clarify that the IRS does not require public agencies to perform calculations on an annual basis. The IRS requires public agencies to make rebate payments every 5 years. We mention this considering there are instances when annual calculations provide no value, though the cost of the analysis is incurred. BLX is sensitive to these instances and does not require their clients to perform annual calculations. We prefer discussing the timing of future calculations following the delivery of our most recent analysis. This allows our clients to avoid unnecessary costs for an analysis that may not be much different from the previous year's analysis.

It is for this reason that we included an "Additional Fee" of \$150 for each year beyond a one year computation period. Tracking 4 years of investment cash flows takes more time than tracking just one year of cash flows and, therefore, the additional fee is assessed to compensate for the time needed to track the additional year(s). Below is an example of how the "Additional Fee" would be applied.

**Example:** BLX performs an initial calculation in 2012 for one of the City's COPS that were issued in 2011. The fee for that analysis is \$995. Additionally, our analysis indicates that the 2011 COPs incurred \$750,000 of NEGATIVE arbitrage. We then discuss the outcome of the analysis with City staff along with the timing of future analyses and conclude that we will not perform another calculation until 2016, the 5th Certificate Year. In 2016, we will perform another calculation and the fee for it will be \$1,445 [\$995 report fee (covering the period from 2012 to 2013) + \$450 (\$150\*3 years (2013 through 2016))].

#### Other Expenses

**Training and Communication:** Please note that BLX does not charge hourly rates for phone calls or any other fees such as client visits, meetings, or training sessions.

Issuer education is very important to us; we would be pleased to provide an on-site training session at the City's request at no additional charge. Additionally, open communication allows BLX to achieve a clear understanding of the unique characteristics, circumstances, and objectives of each client. Daily communications will be over the telephone and/or email, as the City prefers, also at no additional charge.

**Travel Reimbursement:** BLX will not require the City to reimburse it for travel expenses.

**Exhibit 1 - Representative Listing of Current Engagements  
(FOR INTERNAL USE ONLY)**

ISSUER	PAR AMT.	TITLE OF ISSUE	ISSUE DATE	ENG. TEAM
City of Oceanside	\$25,186,000	2003 Certificates of Participation	01/07/03	Kummer/
City of Oceanside	\$11,000,000	Community Facilities District No. 2001-1	02/05/04	Casterline Kummer/
City of Oceanside	\$12,735,000	Community Facilities District No. 2000-1	11/10/04	Casterline Kummer/
City of Oceanside	\$16,085,000	Community Facilities District No. 2001-1	12/22/04	Casterline Kummer/
Oceanside Community Development Commission	\$22,030,000	(San Diego County, California)	02/20/02	Casterline Kummer/
Oceanside Community Development Commission	\$7,740,000	Downtown Redevelopment Project	07/23/03	Casterline Kummer/
Oceanside Community Development Commission	\$13,510,000	Downtown Redevelopment Project	09/23/04	Casterline Kummer/
City of Long Beach	\$13,626,000	Pine Avenue Improvement	10/18/83	Casterline Kummer/
City of Long Beach	\$46,845,000	Water Revenue Refunding Bonds	10/15/87	Casterline Kummer/
City of Long Beach	\$206,330,000	Harbor Revenue Refunding Bonds	02/17/98	Casterline Kummer/
City of Long Beach	\$43,000,000	Community Facilities District No. 6	07/11/02	Casterline Kummer/
City of Long Beach	\$120,235,000	Southeast Resource Recovery Facility Authority	11/12/03	Casterline Kummer/
City of Long Beach	\$113,410,000	Harbor Revenue Refunding Bonds	03/10/04	Casterline Kummer/
City of Long Beach	\$144,240,000	Harbor Revenue Bonds	05/14/04	Casterline Kummer/
City of Long Beach	\$257,975,000	\$233,005,000 Harbor Revenue Refunding Bonds, Series 2005 A	03/23/05	Casterline Kummer/
City of Long Beach	\$15,115,000	Improvement Area A of the City of Long Beach	07/31/07	Casterline Kummer/
City of Long Beach	\$3,650,000	Community Facilities District No. 2007-2	12/02/09	Casterline Kummer/
City of Long Beach	\$16,550,000	\$9,795,000 Senior Airport Revenue Bonds, Series 2009A	12/08/09	Casterline Kummer/
City of Long Beach	\$44,890,000	Senior Airport Revenue Bonds, Series 2009C	12/08/09	Casterline Kummer/
City of Long Beach	\$200,835,000	Harbor Revenue Bonds	04/22/10	Casterline Kummer/
City of Long Beach	\$158,085,000	Harbor Revenue Refunding Bonds	05/12/10	Casterline Kummer/
City of Long Beach	\$1,060,000	Assessment District No. 08-01	06/15/10	Casterline Kummer/
City of Long Beach	\$22,740,000	Water Revenue Refunding Bonds	09/28/10	Casterline Kummer/
City of Long Beach Redevelopment Agency	\$32,880,000	\$22,235,000 Taxable Recovery Zone Economic Development Bonds, 2010 Series A	05/12/10	Casterline Kummer/
Long Beach Bond Finance Authority	\$38,065,000	Lease Revenue Bonds	05/14/98	Casterline Kummer/
Long Beach Bond Finance Authority	\$11,500,000	2001 Lease Revenue Bonds	06/14/01	Casterline Kummer/
Long Beach Bond Finance Authority	\$7,820,000	Local Agency Revenue Bonds	01/29/02	Casterline Kummer/
Long Beach Bond Finance Authority	\$40,915,000	Lease Revenue Bonds	03/13/02	Casterline Kummer/
Long Beach Bond Finance Authority	\$77,715,000	Tax Allocation Revenue Bonds	06/29/02	Casterline Kummer/
Long Beach Bond Finance Authority	\$47,780,000	Tax Allocation revenue Bonds	12/05/02	Casterline Kummer/
Long Beach Bond Finance Authority	\$77,447,306	(Redevelopment, Housing and Gas Utility Financings) 2005	03/02/05	Casterline Kummer/
		(Improvement Area No. 1 Special Tax Bonds Series A of 2004)		(Morro Hills Development)
		Special Tax Bonds Series 2004		(Ocean Ranch Corporate Centre)
		Special Tax Bonds Series A of 2004		(Morro Hills Development)
		Downtown Redevelopment Project		Subordinate 2002 Tax Allocation Bonds
		2003 Refunding Tax Allocation Bonds		
		2004 Refunding Tax Allocation Bonds		
		Community Facilities District #3		Series 1983 A
		1997 Series A		
		Series 1998 A		
		2002 Special Tax Bonds		(Pike Public Improvements)
		Lease Revenue Bonds		Series 2003A and Series 2003B
		\$81,365,000 Series 2004A (AMT)		\$32,045,000 Series 2004B (Non-AMT)
		Series 2002B (AMT)		
		\$24,970,000 Harbor Revenue Refunding Bonds, Series 2005 B		
		Community Facilities District No. 2007-1 (Douglas Park Commercial Area)		Special Tax Bonds, Series 2007-A
		(Belmont Shore)		2009 Special Tax Bonds
		\$6,755,000 Senior Airport Revenue Refunding Bonds, Series 2009B		
		(Federally Taxable-Build America Bonds-Direct)		
		Series 2010A		
		Series 2010B		
		(The Toledo Utility Undergrounding)		2010 Limited Obligation Improvement Bonds
		Series 2010A		
		\$10,745,000 Taxable Build America Bonds, 2010 Series B		(North Long Beach Redevelopment Project)
		(Temple and Willow Facility)		1998 Series A and B
		(Plaza Parking Facility)		
		2002 Series A		Series 2002
		(Public Safety Facilities Projects)		
		(Downtown, North Long Beach, Poly High and West Beach Redevelopment Project Areas)		2002 Series A
		(Downtown and West Long Beach Industrial Redevelopment Project Areas)		2002 Series B
		\$74,050,000 2005 Series A-1 (Current Interest Bonds)		\$3,397,305,90 2005 Series A-2 (Capital Appreciation Bonds)

**Exhibit 1 - Representative Listing of Current Engagements  
(FOR INTERNAL USE ONLY)**

ISSUER	PAR AMT.	TITLE OF ISSUE	ISSUE DATE	ENG. TEAM
Long Beach Bond Finance Authority	\$38,045,000	Tax Allocation Revenue Bonds	02/01/06	Kummer/ Casterline
Long Beach Bond Finance Authority	\$50,785,000	Lease Revenue Refunding Bonds, 2006 Series A	04/18/08	Kummer/ Casterline
Long Beach Bond Finance Authority	\$24,320,000	(Los Angeles County, California)	11/07/06	Kummer/ Casterline
Long Beach Bond Finance Authority	\$102,580,000	2012 Refunding Revenue Bonds (Long Beach Towne Center)	04/03/12	Kummer/ Casterline
Long Beach Community Facilities District # 5	\$14,815,000	Revenue Bonds, Series 1982	05/22/08	Kummer/ Casterline
Long Beach Financing Authority	\$126,245,000	(Los Angeles County, California)	12/17/92	Kummer/ Casterline
Long Beach Financing Authority	\$8,145,000	General Obligation Bonds	08/30/05	Kummer/ Casterline
City of Los Angeles	\$37,700,000	Wastewater System Revenue Bonds	08/15/90	Kummer/ Casterline
City of Los Angeles	\$388,280,000	Wastewater System Revenue Bonds	11/16/93	Kummer/ Casterline
City of Los Angeles	\$35,250,000	Wastewater System Revenue Bonds	09/23/97	Kummer/ Casterline
City of Los Angeles	\$11,750,000	Community Facilities District No. 3	10/02/97	Kummer/ Casterline
City of Los Angeles	\$374,810,000	Wastewater System Revenue Bonds	03/25/98	Kummer/ Casterline
City of Los Angeles	\$119,990,000	General Obligation Bonds	09/01/98	Kummer/ Casterline
City of Los Angeles	\$63,705,000	Wastewater System Revenue Bonds	10/21/98	Kummer/ Casterline
City of Los Angeles	\$88,390,000	Wastewater System Revenue Bonds	03/03/99	Kummer/ Casterline
City of Los Angeles	\$97,320,000	General Obligation Bonds	04/20/99	Kummer/ Casterline
City of Los Angeles	\$80,975,000	Parking System Revenue Bonds	04/28/99	Kummer/ Casterline
City of Los Angeles	\$14,365,000	Landscaping and Light Assessment Bonds	03/28/00	Kummer/ Casterline
City of Los Angeles	\$10,305,000	Landscaping and Lighting District 96-1	04/10/01	Kummer/ Casterline
City of Los Angeles	\$201,290,000	General Obligation Bonds	08/07/01	Kummer/ Casterline
City of Los Angeles	\$52,325,000	Municipal Improvement Corporation of Los Angeles	02/14/02	Kummer/ Casterline
City of Los Angeles	\$102,850,000	Wastewater System Revenue Bonds	05/01/02	Kummer/ Casterline
City of Los Angeles	\$19,630,000	Landscaping and Lighting District 96-1	07/11/02	Kummer/ Casterline
City of Los Angeles	\$341,255,000	General Obligation Bonds	08/20/02	Kummer/ Casterline
City of Los Angeles	\$39,630,000	Parking System Revenue Bonds	02/13/03	Kummer/ Casterline
City of Los Angeles	\$385,510,000	Wastewater System Subordinate Revenue Bonds	03/04/03	Kummer/ Casterline
City of Los Angeles	\$135,000,000	Communities Facilities District No. 4 (Playa Vista - Phase 1)	04/03/03	Kummer/ Casterline
City of Los Angeles	\$204,335,000	Wastewater System Revenue Bonds	04/09/03	Kummer/ Casterline
City of Los Angeles	\$47,825,000	Sanitation Equipment Charge Revenue Bonds	04/24/03	Kummer/ Casterline
City of Los Angeles	\$289,450,000	Wastewater System Subordinate Revenue Bonds	07/01/03	Kummer/ Casterline
City of Los Angeles	\$225,510,000	Wastewater System Revenue Bonds	08/06/03	Kummer/ Casterline
		(Downtown and North Long Beach Redevelopment Project - 2005 Series C Areas)		
		(Rainbow Harbor Refinancing Project)		
		Lease Revenue Bonds, 2006 Series B		(Parks/Open Space Financing Project)
		(Aquarium of the Pacific Project)		
		2008 Special Tax Bonds		
		Lease Revenue Bonds, 2005 Series A		(Temple and Willow Facility Refinancing Project)
		Series 1990-B		
		Refunding Series 1993-D		
		Refunding Series 1997-A		
		Cascade Business Park		1997 Series Special Tax Bonds
		Series 1998-A and Refunding Series 1998-B		
		Refunding Series 1998-A		
		Refunding Series 1998-C		
		Refunding Series 1999-A		
		Refunding Series 1999-A		
		Series 1999-A		
		Series 2000		
		Assessment Bonds, Series 2001		
		Series 2001-A		
		Special Tax Lease Revenue Bonds (Police Emergency Command Control Communications)		Series 2002F (MICLA Series AC)
		Refunding Series 2002-A		
		Assessment Bonds, Series 2002		
		Series 2002-A and Refunding Series 2002-B		
		Series 2003-A		
		Refunding Series 2003-A		
		Special Tax Bonds, Series 2003		
		Refunding Series 2003-A		
		Series 2003-A		
		Refunding Series 2003-B		
		Refunding Series 2003-B		

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ISSUER	PAR AMT.	TITLE OF ISSUE	ISSUE DATE	ENG. TEAM
City of Los Angeles	\$310,710,000	\$233,365,000 General Obligation Bonds, Series 2003-A	08/12/03	Kummer/ Casterline
City of Los Angeles	\$61,120,000	Sanitation Equipment Charge Revenue Bonds	12/16/03	Kummer/ Kummer/
City of Los Angeles	\$56,230,000	Sanitation Equipment Charge Revenue Bonds	04/01/04	Kummer/ Kummer/
City of Los Angeles	\$81,045,000	\$64,170,000 Certificates of Participation (Equipment Acquisition Program AX)	04/29/04	Casterline Kummer/ Kummer/
City of Los Angeles	\$360,540,000	General Obligation Bonds	08/10/04	Casterline Kummer/ Kummer/
City of Los Angeles	\$45,760,000	Sanitation Equipment Charge Revenue Bonds	07/07/05	Casterline Kummer/ Kummer/
City of Los Angeles	\$199,890,000	\$126,800,000 General Obligation Bonds, Series 2005-A	08/16/05	Casterline Kummer/ Kummer/
City of Los Angeles	\$300,655,000	Wastewater System Revenue Bonds	12/13/05	Casterline Kummer/ Kummer/
City of Los Angeles	\$71,023,000	General Obligation Bonds, Series 2006-A	08/30/06	Kummer/ Kummer/ Kummer/
City of Los Angeles	\$58,370,000	Solid Waste Resources Revenue Bonds	09/26/06	Casterline Kummer/ Kummer/
City of Los Angeles	\$444,600,000	Wastewater System Subordinate Revenue Bonds, Variable Rate Refunding	05/01/08	Casterline Kummer/ Kummer/
City of Los Angeles	\$123,550,000	General Obligation Bonds	04/18/09	Casterline Kummer/ Kummer/
City of Los Angeles	\$52,950,000	General Obligation Bonds	04/18/09	Kummer/ Kummer/ Kummer/
City of Los Angeles	\$20,600,000	Judgment Obligation Bonds	06/30/09	Casterline Kummer/ Kummer/
City of Los Angeles	\$114,505,000	\$65,020,000 Solid Waste Resources Revenue Bonds, Series 2009-A	12/23/09	Casterline Kummer/ Kummer/
City of Los Angeles	\$50,875,000	Judgment Obligation Bonds	06/28/10	Casterline Kummer/ Kummer/
City of Los Angeles	\$169,790,000	Wastewater System Subordinate Revenue Bonds	10/21/10	Casterline Kummer/ Kummer/
City of Los Angeles	\$177,420,000	Wastewater System Revenue Bonds	10/21/10	Casterline Kummer/ Kummer/
City of Los Angeles	\$89,600,000	Wastewater System Revenue Bonds	10/21/10	Casterline Kummer/ Kummer/
City of Los Angeles	\$6,000,000	Community Facilities District No. 8 (Legends at Cascade)	11/18/10	Kummer/ Kummer/ Kummer/
City of Los Angeles	\$378,660,000	\$117,000,000 General Obligation Bonds Series 2011-A	07/28/11	Casterline Kummer/ Kummer/
City of Los Angeles	\$157,055,000	Wastewater System Subordinate Revenue Bonds	04/26/12	Casterline Kummer/ Kummer/
City of Los Angeles	\$225,850,000	General Obligation Refunding Bonds	05/02/12	Casterline Kummer/ Kummer/
Los Angeles Convention & Exhibition Center Authority	\$461,565,000	\$226,045,000 Lease Revenue Refunding Bonds, Series 2003 A	08/04/03	Casterline Kummer/ Kummer/
Los Angeles Convention & Exhibition Center Authority	\$253,060,000	Lease Revenue Refunding Bonds	10/15/08	Casterline Kummer/ Kummer/
Los Angeles Municipal Finance Corporation	\$113,110,000	\$70,700,000 Certificates of Participation (Equipment and Real Property Acquisition Program AU)	10/31/02	Casterline Kummer/ Kummer/
Los Angeles Municipal Improvement Corporation	\$135,325,000	Special Tax Lease Revenue Bonds	04/14/99	Casterline Kummer/ Kummer/
Los Angeles Municipal Improvement Corporation	\$16,320,000	Special Tax Lease Revenue Bonds	03/14/02	Casterline Kummer/ Kummer/
Los Angeles Municipal Improvement Corporation	\$97,890,000	\$28,130,000 Certificates of Participation (Real Property Program AQ)	04/02/02	Casterline Kummer/ Kummer/
Los Angeles Municipal Improvement Corporation	\$30,305,000	Leasehold Refunding Revenue Bonds	04/30/02	Casterline Kummer/ Kummer/
Los Angeles Municipal Improvement Corporation	\$40,000,000	Leasehold Refunding Revenue Bonds	04/02/02	Casterline Kummer/ Kummer/

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ISSUER	PAR AMT.	TITLE OF ISSUE	ISSUE DATE	ENG. TEAM
Los Angeles Municipal Improvement Corporation	\$36,220,000	Certificates of Participation	06/17/03	Kummer/ Kummer/
Los Angeles Municipal Improvement Corporation	\$46,395,000	Refunding Certificates of Participation	05/17/05	Kummer/ Kummer/
Los Angeles Municipal Improvement Corporation	\$448,595,000	Lease Revenue Bonds, Series 2006-A	12/14/06	Kummer/ Kummer/
Los Angeles Municipal Improvement Corporation	\$275,950,000	Lease Revenue Bonds	09/08/07	Kummer/ Kummer/
Los Angeles Municipal Improvement Corporation	\$148,880,000	\$105,090,000 Lease Revenue Bonds, Series 2008-A (Capital Equipment)	09/28/08	Kummer/ Kummer/
Los Angeles Municipal Improvement Corporation	\$109,995,000	\$57,930,000 Lease Revenue Bonds, Series 2009-A (Capital Equipment)	04/23/09	Kummer/ Kummer/
Los Angeles Municipal Improvement Corporation	\$96,760,000	\$40,095,000 Lease Revenue Bonds, Series 2009-C (Capital Equipment) Tax-Exempt	12/10/09	Kummer/ Kummer/
Los Angeles Municipal Improvement Corporation	\$21,300,000	Lease Revenue Bonds, Series 2009-D	12/10/09	Kummer/ Kummer/
City of Oceanside	\$12,265,000	Community Facilities District No. 2000-1	12/30/02	Kummer/ Kummer/
City of Riverside	\$14,325,000	Community Facilities District No. 90-1	07/26/01	Kummer/ Kummer/
City of Riverside	\$47,215,000	Electric Revenue Bonds	08/16/01	Kummer/ Kummer/
City of Riverside	\$20,000,000	Water Revenue Bonds	08/16/01	Kummer/ Kummer/
City of Riverside	\$75,405,000	Electric Refunding Revenue Bonds	07/31/03	Kummer/ Kummer/
City of Riverside	\$53,185,000	2003 Certificates of Participation	12/22/03	Kummer/ Kummer/
City of Riverside	\$110,000,000	Electric Revenue Bonds	06/03/04	Kummer/ Kummer/
City of Riverside	\$3,755,000	Riverwalk Business Assessment District	06/30/04	Kummer/ Kummer/
City of Riverside	\$9,700,000	Community Facilities District No. 92-1	07/14/05	Kummer/ Kummer/
City of Riverside	\$15,269,906	Hunter Park Assessment District	03/09/06	Kummer/ Kummer/
City of Riverside	\$19,945,000	2006 Lease Revenue Certificates of Participation	09/27/06	Kummer/ Kummer/
City of Riverside	\$129,300,000	Variable Rate Refunding Certificates of Participation	04/17/08	Kummer/ Kummer/
City of Riverside	\$407,235,000	Variable Rate Refunding Electric Revenue Bonds	05/01/08	Kummer/ Kummer/
City of Riverside	\$36,835,000	Sewer Revenue Bonds	08/20/09	Kummer/ Kummer/
City of Riverside	\$204,075,000	Sewer Revenue Bonds	08/20/09	Kummer/ Kummer/
City of Riverside	\$67,790,000	Water Revenue Bonds	12/22/09	Kummer/ Kummer/
City of Riverside	\$31,895,000	Water Revenue/Refunding Bonds	12/22/09	Kummer/ Kummer/
City of Riverside	\$20,660,000	Certificates of Participation	03/30/10	Kummer/ Kummer/
City of Riverside	\$133,290,000	Electric Revenue Bonds	12/16/10	Kummer/ Kummer/
City of Riverside	\$7,090,000	Issue of 2010B	12/16/10	Kummer/ Kummer/
City of Riverside	\$56,450,000	Variable Rate Refunding Electric Revenue Bonds	04/29/11	Kummer/ Kummer/
Redevelopment Agency of the City of Riverside	\$23,080,000	(University Corridor/Sycamore Canyon Merged Redevelopment Project)	04/14/99	Kummer/ Kummer/
Redevelopment Agency of the City of Riverside	\$20,395,000	(Casa Blanca Redevelopment Project)	04/14/99	Kummer/ Kummer/

(Marvin Braude San Fernando Valley Constituent Service Center) (Refunding Program AY) (Police Headquarters Facility and Public Works Building) \$169,050,000 Series 2007-B1 (Figueroa Plaza) \$43,790,000 Lease Revenue Bonds, Series 2008-B (Real Property) \$52,065,000 Lease Revenue Bonds, Series 2009-B (Real Property) \$56,665,000 Lease Revenue Bonds, Series 2009-E (Real Property) Tax-Exempt (Recovery Zone Economic Development Bonds) Special Tax Bonds Series 2002A (Lusk-Highlander) Issue of 2001 Issue of 2001 Issue of 2003 (Capital Improvement Projects) \$27,500,000 Issue of 2004 A (Fixed Rate Bonds) Limited Obligation Improvement Bonds (Sycamore Canyon Business Park) Limited Obligation Improvement Bonds (Gallena at Tyler Public Improvements) (Riverside Renaissance Projects) \$84,515,000 Issue of 2008A, \$57,275,000 Issue of 2008B \$67,325,000 Issue of 2008C Series 2009A Series 2009B Taxable Issue of 2009B Issue of 2009A (Tax-Exempt) Series 2010 Issue of 2010A (Federally Taxable Build America Bonds - Direct Payment) Series 2010 Issue of 2010A (Federally Taxable Build America Bonds - Direct Payment) Issue of 2011A Direct Purchase by Wells Fargo Bank, N.A. \$6,055,000 Subordinate Tax Allocation Bonds, 1999 Series B Tax Allocation Bonds, 1999 Series A Tax Allocation Bonds, 1999 Series A

**Exhibit 1 - Representative Listing of Current Engagements  
(FOR INTERNAL USE ONLY)**

ISSUER	PAR AMT.	TITLE OF ISSUE	(State of California Department of General Services Project)	2003 Series A	ISSUE DATE	ENG. TEAM
Redevelopment Agency of the City of Riverside	\$26,255,000	Lease Revenue Refunding Bonds			07/28/03	Kummer/ Kummer/
Redevelopment Agency of the City of Riverside	\$40,435,000	Merged Project Area	Tax Allocation and Refunding Bonds	Series 2003	07/29/03	Kummer/ Kummer/
Redevelopment Agency of the City of Riverside	\$4,550,000	Arlington Redevelopment Project	2004 Tax Allocation Bonds	Series A	04/20/04	Kummer/ Kummer/
Redevelopment Agency of the City of Riverside	\$24,115,000	Housing Set-Aside Tax Allocation Bonds	2004 Series A		11/30/04	Kummer/ Kummer/
Riverside Public Financing Authority	\$18,350,000	Revenue Bonds	2001 Series A (Superior Lien Bonds)	2001 Series B (Subordinate Lien Bonds)	12/20/01	Kummer/ Kummer/
Riverside Public Financing Authority	\$8,340,000	2007 Series A Tax Allocation Revenue Bonds	(Downtown/Airport Merged Redevelopment Project	and Casa Blanca Redevelopment Project) (Tax Exempt)	04/10/07	Kummer/ Kummer/
Riverside Public Financing Authority	\$89,205,000	2007 Series C Tax Allocation Revenue Bonds (TE)	(University Corridor/Sycamore Canyon Merged Redevelopment Project, Adlington Redevelopment Project, Hunter Park/Northside Redev. Project, Magnolia Center Redev. Project and La Sierra/Alanza Redev. Project)		04/10/07	Kummer/ Kummer/
City of Sacramento	\$38,446,534	North Natomas AD No. 88-03	Series A and B		04/26/89	Kummer/ Kummer/
City of Sacramento	\$225,905,000	1993 Lease Revenue Bonds			09/09/93	Kummer/ Kummer/
City of Sacramento	\$1,665,000	Florin Depot/Coles Ind. Part AD #9305 (RAD1)			12/28/93	Kummer/ Kummer/
City of Sacramento	\$1,190,676	Timbatake Way AD #9401			08/01/94	Kummer/ Kummer/
City of Sacramento	\$2,500,000	Del Paso Road	Series A	Community Facilities District #9502	12/05/95	Kummer/ Kummer/
City of Sacramento	\$4,045,000	Del Paso Road	Series B	Community Facilities District #9502	12/05/95	Kummer/ Kummer/
City of Sacramento	\$137,692	Pocket Road AD #9301			03/12/96	Kummer/ Kummer/
City of Sacramento	\$1,412,590	Willowcreek AD #9403			07/19/96	Kummer/ Kummer/
City of Sacramento	\$7,290,000	City of Sacramento Citywide L & L AD #2			10/10/96	Kummer/ Kummer/
City of Sacramento	\$14,248,543	Willowcreek II AD 96-01			07/24/97	Kummer/ Kummer/
City of Sacramento	\$20,175,001	North Natomas Community Facilities District 97-01	Series A		10/03/97	Kummer/ Kummer/
City of Sacramento	\$7,905,000	North Natomas Community Facilities District 2	Basins 5 and 6		01/20/99	Kummer/ Kummer/
City of Sacramento	\$16,215,000	North Natomas Community Facilities District 4	Series A		02/24/99	Kummer/ Kummer/
City of Sacramento	\$2,805,000	North Natomas Community Facilities District 99-04	Basin 8c	Series A	09/09/99	Kummer/ Kummer/
City of Sacramento	\$71,160,000	1999 CIRB		Series A	12/01/99	Kummer/ Kummer/
City of Sacramento	\$5,400,000	North Natomas Community Facilities District 97-01	Series B		06/14/00	Kummer/ Kummer/
City of Sacramento	\$12,750,000	North Natomas Community Facilities District 4	Series B		04/05/01	Kummer/ Kummer/
City of Sacramento	\$206,780,000	2001 Capital Improvement Revenue Bonds			04/25/01	Kummer/ Kummer/
City of Sacramento	\$11,890,000	North Natomas Westlake Community Facilities District 2000-01			04/25/01	Kummer/ Kummer/
City of Sacramento	\$8,860,000	Granite Park Community Facilities District 2001-01			06/28/01	Kummer/ Kummer/
City of Sacramento	\$160,475,000	2002 Capital Improvement Revenue Bonds			07/02/02	Kummer/ Kummer/
City of Sacramento	\$16,580,000	2002 Certificates of Participation			08/21/02	Kummer/ Kummer/
City of Sacramento	\$6,040,000	North Natomas Community Facilities District 97-01	Series C		03/25/03	Kummer/ Kummer/
City of Sacramento	\$19,570,000	North Natomas Renoway Park Community Facilities District			07/24/03	Kummer/ Kummer/

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ISSUER	PAR AMT.	TITLE OF ISSUE	ISSUE DATE	ENG. TEAM
City of Sacramento	\$68,470,000	2003 Capital Improvement Revenue Bonds	08/30/03	Kummer/ Kummer/
City of Sacramento	\$28,765,000	North Natomas Community Facilities District 4	10/15/03	Casterline Kummer/
City of Sacramento	\$295,000	Midtown Street Lighting AD 2003-05	03/17/04	Casterline Kummer/
City of Sacramento	\$548,161	Tahoe Park West Street Lighting AD 2003-05	04/07/04	Casterline Kummer/
City of Sacramento	\$3,790,000	North Natomas Community Facilities District 99-04	08/26/04	Casterline Kummer/
City of Sacramento	\$5,300,000	Development Fee Financing Community Facilities District #9501	01/05/05	Casterline Kummer/
City of Sacramento	\$35,460,000	North Natomas Community Facilities District 97-01	06/08/05	Casterline Kummer/
City of Sacramento	\$173,930,000	2005 Refunding Revenue Bonds	07/12/05	Casterline Kummer/
City of Sacramento	\$19,025,000	Reassessment District II No. 2006-01	05/10/06	Casterline Kummer/
City of Sacramento	\$95,900,000	2006 Capital Improvement Revenue Bonds, Series A	06/15/06	Casterline Kummer/
City of Sacramento	\$26,210,000	North Natomas Community Facilities District 4	12/07/06	Casterline Kummer/
City of Sacramento	\$218,205,000	2006 Capital Improvement Revenue Bonds	12/12/06	Casterline Kummer/
City of Sacramento	\$3,998,861	B of A No. 7 (Fire Trucks I)	03/27/07	Casterline Kummer/
City of Sacramento	\$1,941,696	B of A No. 8 (Fire Trucks II)	03/27/07	Casterline Kummer/
City of Sacramento	\$830,000	B of A No. 9 (Pay and Display)	05/15/07	Casterline Kummer/
City of Sacramento	\$70,930,000	1997 Lease Revenue Bonds (Arco Arena)	07/18/07	Casterline Kummer/
City of Sacramento	\$485,009	B of A (Fire Trucks III)	09/04/07	Casterline Kummer/
City of Sacramento	\$11,465,000	College Square Community Facilities District 2005-01	10/25/07	Casterline Kummer/
City of Sacramento	\$1,523,000	B of A Marina Loan (Leaseback)	11/15/07	Casterline Kummer/
City of Sacramento	\$1,670,000	B of A No. 11 (Pay & Display I)	11/20/07	Casterline Kummer/
City of Sacramento	\$4,595,823	B of A No. 12 (Solid Waste Refuse Vehicles)	07/30/08	Casterline Kummer/
City of Sacramento	\$246,556	B of A No. 13 (LNG Trailer)	11/18/09	Casterline Kummer/
City of Sacramento	\$4,550,675	B of A No. 15 (Fire Trucks IV)	03/18/10	Casterline Kummer/
City of Sacramento	\$3,065,430	B of A No. 14 (Solid Waste Trolers)	05/08/10	Casterline Kummer/
City of Sacramento	\$3,065,431	2010 Tax Revenue Anticipation Notes	05/09/10	Casterline Kummer/
Sacramento City Financing Authority	\$225,905,000	Lease Revenue Refunding Bonds	09/09/93	Casterline Kummer/
Sacramento City Financing Authority	\$40,745,000	2000 Capital Improvement Revenue Bonds	07/26/00	Casterline Kummer/
Sacramento City Financing Authority	\$46,265,000	2002 Refunding Revenue Bonds	10/31/02	Casterline Kummer/
Los Angeles State Building Authority	\$59,045,000	Lease Revenue Bonds	10/19/99	Casterline Kummer/
Oakland State Building Authority	\$157,820,000	Lease Revenue Bonds	03/18/98	Casterline Kummer/
Oakland State Building Authority	\$28,340,000	Lease Revenue Refunding Bonds	12/15/05	Casterline Kummer/

Series C  
Basin 8c, Series B  
Series C  
Series 2005  
(Community Reinvestment Capital Improvement Program)  
Series D  
Series C, D, and E  
1993 Series A and 1993 Series B  
(City of Sacramento 2000 Public Safety and Parking Improvements)  
(State of California Department of General Services Lease) Series 1999 A  
(Elihu M. Harris State Office Building)  
(Elihu M. Harris State Office Building) 2005 Series A

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ISSUER	PAR. AMT.	TITLE OF ISSUE	ISSUE DATE	ENG. TEAM
Sacramento City Financing Authority	\$198,615,000	Lease Revenue Bonds	11/10/98	Kummer/ Casterline
San Francisco State Building Authority	\$62,706,000	Refunding Lease Revenue Bonds	10/06/93	Kummer/ Casterline
San Francisco State Building Authority	\$201,480,000	Lease Revenue Refunding Bonds	12/15/05	Kummer/ Casterline
State of California	\$800,000,000	Various Purpose General Obligation Bonds	10/13/93	Kummer/ Casterline
State of California	\$700,000,000	Various Purpose General Obligation Bonds	09/07/94	Kummer/ Casterline
State of California	\$407,000,000	Various Purpose General Obligation Bonds	12/08/94	Kummer/ Casterline
State of California	\$461,095,000	\$380,000,000 Various Purposes General Obligation Bonds \$81,095,000 Various Purposes General Obligation Refunding Bonds	10/28/95	Kummer/ Casterline
State of California	\$1,000,000,000	General Obligation Bonds	10/23/97	Kummer/ Casterline
State of California	\$981,230,000	General Obligation Refunding Bonds	03/05/98	Kummer/ Casterline
State of California	\$850,000,000	General Obligation Bonds	10/21/98	Kummer/ Casterline
State of California	\$500,000,000	General Obligation Bonds	03/11/99	Kummer/ Casterline
State of California	\$400,000,000	General Obligation Bonds	06/17/99	Kummer/ Casterline
State of California	\$500,000,000	General Obligation Bonds	04/27/00	Kummer/ Casterline
State of California	\$350,000,000	General Obligation Bonds	06/28/00	Kummer/ Casterline
State of California	\$648,270,000	General Obligation Refunding Bonds	12/13/00	Kummer/ Casterline
State of California	\$954,430,000	General Obligation and General Obligation Refunding Bonds	03/13/01	Kummer/ Casterline
State of California	\$1,105,025,000	General Obligation Bonds	04/02/02	Kummer/ Casterline
State of California	\$1,105,025,000	General Obligation Bonds	04/02/02	Kummer/ Casterline
State of California	\$1,105,025,000	General Obligation Bonds	04/02/02	Kummer/ Casterline
State of California	\$800,000,000	General Obligation Bonds	10/22/02	Kummer/ Casterline
State of California	\$1,716,580,000	General Obligation Bonds	07/01/03	Kummer/ Casterline
State of California	\$1,716,580,000	General Obligation Bonds	07/01/03	Kummer/ Casterline
State of California	\$1,716,580,000	General Obligation Bonds	11/13/03	Kummer/ Casterline
State of California	\$1,800,000,000	General Obligation Bonds	03/10/04	Kummer/ Casterline
State of California	\$614,850,000	Federal Highway Grant Anticipation Bonds	04/29/04	Kummer/ Casterline
State of California	\$1,800,000,000	General Obligation Bonds	06/29/04	Kummer/ Casterline
State of California	\$497,665,000	\$282,400,000 Various General Obligation Bonds \$215,265,000 General Obligation Refunding Bonds	10/21/04	Kummer/ Casterline
State of California	\$1,000,000,000	Variable Rate General Obligation Bonds	03/01/05	Kummer/ Casterline
State of California	\$844,105,000	General Obligation Refunding Bonds	04/20/05	Kummer/ Casterline
State of California	\$763,500,000	General Obligation Refunding Bonds	06/29/05	Kummer/ Casterline
State of California	\$925,135,000	\$545,310,000 Various Purpose General Obligation Bonds \$379,825,000 General Obligation Refunding Bonds		Kummer/ Casterline



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ISSUER	PAR. AMT.	TITLE OF ISSUE	ISSUE DATE	ENG. TEAM
State Public Works Board of the State of California	\$102,655,000	Lease Revenue Bonds	10/14/93	Kummer/ Casterline
State Public Works Board of the State of California	\$318,285,000	Lease Revenue Bonds	10/27/93	Kummer/ Kummer/
State Public Works Board of the State of California	\$182,405,000	Lease Revenue Bonds	12/07/93	Kummer/ Casterline
State Public Works Board of the State of California	\$192,715,000	Lease Revenue Bonds	01/05/94	Casterline Kummer/
State Public Works Board of the State of California	\$135,325,000	Lease Revenue Bonds	04/11/96	Casterline Kummer/
State Public Works Board of the State of California	\$56,420,000	Refunding Bonds	10/10/96	Casterline Kummer/
State Public Works Board of the State of California	\$53,095,000	Lease Revenue Refunding Bonds	11/06/96	Casterline Kummer/
State Public Works Board of the State of California	\$40,085,000	Refunding Bonds	11/06/96	Casterline
State Public Works Board of the State of California	\$129,130,000	Lease Revenue Bonds	03/18/97	Kummer/ Kummer/
State Public Works Board of the State of California	\$14,725,000	Lease Revenue Bonds	03/18/97	Casterline Kummer/
State Public Works Board of the State of California	\$65,550,000	Lease Revenue Bonds	04/15/97	Casterline Kummer/
State Public Works Board of the State of California	\$166,310,000	Lease Revenue Bonds	11/13/97	Casterline Kummer/
State Public Works Board of the State of California	\$9,380,000	Lease Revenue Refunding Bonds	12/10/97	Casterline
State Public Works Board of the State of California	\$37,770,000	Lease Revenue Bonds	12/16/97	Kummer/ Kummer/
State Public Works Board of the State of California	\$115,380,000	Lease Revenue Bonds	04/15/98	Casterline Kummer/
State Public Works Board of the State of California	\$97,770,000	Lease Revenue Refunding Bonds	05/07/98	Casterline Kummer/
State Public Works Board of the State of California	\$26,765,000	Lease Revenue Refunding Bonds	05/07/98	Casterline
State Public Works Board of the State of California	\$10,660,000	Lease Revenue Refunding Bonds	05/07/98	Kummer/ Casterline
State Public Works Board of the State of California	\$83,505,000	Lease Revenue Refunding Bonds	05/07/98	Casterline Kummer/
State Public Works Board of the State of California	\$10,870,000	Lease Revenue Refunding Bonds	05/07/98	Casterline Kummer/
State Public Works Board of the State of California	\$19,170,000	Lease Revenue Refunding Bonds	05/07/98	Casterline Kummer/
State Public Works Board of the State of California	\$11,220,000	Lease Revenue Bonds	11/17/98	Kummer/ Casterline
State Public Works Board of the State of California	\$31,245,000	Lease Revenue Refunding Bonds	11/19/98	Kummer/ Casterline
State Public Works Board of the State of California	\$17,265,000	Lease Revenue Refunding Bonds	11/19/98	Kummer/ Casterline
State Public Works Board of the State of California	\$52,930,000	Lease Revenue Refunding Bonds	04/29/99	Kummer/ Casterline
State Public Works Board of the State of California	\$45,680,000	Lease Revenue Bonds	05/29/99	Kummer/ Casterline
State Public Works Board of the State of California	\$179,140,000	Lease Revenue Bonds	10/27/99	Kummer/ Casterline
State Public Works Board of the State of California	\$16,470,000	Lease Revenue Bonds	12/02/99	Kummer/ Casterline
State Public Works Board of the State of California	\$38,580,000	Lease Revenue Bond	06/28/00	Kummer/ Casterline
State Public Works Board of the State of California	\$51,445,000	Lease Revenue Bonds	12/06/00	Kummer/ Casterline
State Public Works Board of the State of California	\$42,670,000	Lease Revenue Refunding Bonds	03/28/01	Kummer/ Casterline

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ISSUER	PAR AMT.	TITLE OF ISSUE	ISSUE DATE	ENG. TEAM
State Public Works Board of the State of California	\$32,675,000	Lease Revenue Refunding Bonds	03/28/01	Kummer/ Casterline
State Public Works Board of the State of California	\$41,400,000	Lease Revenue Bonds	12/05/01	Kummer/ Casterline
State Public Works Board of the State of California	\$187,205,000	Lease Revenue Bonds	03/13/02	Kummer/ Casterline
State Public Works Board of the State of California	\$173,005,000	Lease Revenue Bonds	10/30/02	Kummer/ Casterline
State Public Works Board of the State of California	\$5,465,000	Lease Revenue Bonds	12/05/02	Kummer/ Casterline
State Public Works Board of the State of California	\$465,165,000	Lease Revenue Bonds	12/05/02	Kummer/ Casterline
State Public Works Board of the State of California	\$32,760,000	Lease Revenue Bonds	04/09/03	Kummer/ Casterline
State Public Works Board of the State of California	\$7,580,000	Lease Revenue Bonds	04/09/03	Kummer/ Casterline
State Public Works Board of the State of California	\$390,450,000	Lease Revenue Bonds	12/02/03	Kummer/ Casterline
State Public Works Board of the State of California	\$34,460,000	Lease Revenue Bonds	12/02/03	Kummer/ Casterline
State Public Works Board of the State of California	\$280,085,000	Lease Revenue Refunding Bonds	04/07/04	Kummer/ Casterline
State Public Works Board of the State of California	\$474,085,000	Lease Revenue Bonds	04/21/04	Kummer/ Casterline
State Public Works Board of the State of California	\$25,505,000	Lease Revenue Bonds	04/21/04	Kummer/ Casterline
State Public Works Board of the State of California	\$165,845,000	Lease Revenue Bonds (The Regents of the University of California), 2004 Series A and 2004 Series F	12/02/04	Kummer/ Casterline
State Public Works Board of the State of California	\$51,900,000	Lease Revenue Bonds	04/12/05	Kummer/ Casterline
State Public Works Board of the State of California	\$218,380,000	Lease Revenue Bonds	04/12/05	Kummer/ Casterline
State Public Works Board of the State of California	\$128,170,000	Lease Revenue Bonds	04/27/05	Kummer/ Casterline
State Public Works Board of the State of California	\$342,660,000	Lease Revenue Bonds	06/22/05	Kummer/ Casterline
State Public Works Board of the State of California	\$72,390,000	Lease revenue Bonds (CA Community Colleges) 2005 Series E (Various Community College Projects)	10/20/05	Kummer/ Casterline
State Public Works Board of the State of California	\$20,565,000	Lease Revenue Bonds	10/20/05	Kummer/ Casterline
State Public Works Board of the State of California	\$15,920,000	Lease Revenue Bonds	10/20/05	Kummer/ Casterline
State Public Works Board of the State of California	\$469,805,000	Lease Revenue Refunding Bonds	11/16/05	Kummer/ Casterline
State Public Works Board of the State of California	\$156,210,000	Lease Revenue Bonds	12/06/05	Kummer/ Casterline
State Public Works Board of the State of California	\$147,865,000	Lease Revenue Bonds	04/25/06	Kummer/ Casterline
State Public Works Board of the State of California	\$79,870,000	Lease Revenue Bonds	10/12/06	Kummer/ Casterline
State Public Works Board of the State of California	\$300,205,000	Lease Revenue Refunding Bonds	11/08/06	Kummer/ Casterline
State Public Works Board of the State of California	\$48,045,000	2006 Series G	12/06/06	Kummer/ Casterline
State Public Works Board of the State of California	\$23,635,000	Lease Revenue Bonds	12/06/06	Kummer/ Casterline
State Public Works Board of the State of California	\$14,925,000	Lease Revenue Bonds	12/06/06	Kummer/ Casterline
State Public Works Board of the State of California	\$159,035,000	Lease Revenue Bonds	03/13/07	Kummer/ Casterline
State Public Works Board of the State of California	\$336,895,000	Lease Revenue Refunding Bonds (The Regents of the	04/18/07	Kummer/ Casterline

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ISSUER	PAR. AMT.	TITLE OF ISSUE	ISSUE DATE	ENG. TEAM
State Public Works Board of the State of California	\$33,310,000	Lease Revenue Bonds	06/27/07	Kummer/ Casterline
State Public Works Board of the State of California	\$124,180,000	Lease Revenue Bonds	12/06/07	Kummer/ Casterline
State Public Works Board of the State of California	\$302,570,000	Lease Revenue Bonds (The Regents of the University of California)	03/26/08	Kummer/ Casterline
State Public Works Board of the State of California	\$27,155,000	Lease Revenue Bonds	04/24/08	Kummer/ Casterline
State Public Works Board of the State of California	\$20,890,000	Lease Revenue Bonds	04/24/08	Kummer/ Casterline
State Public Works Board of the State of California	\$10,915,000	Lease Revenue Bonds	04/24/08	Kummer/ Casterline
State Public Works Board of the State of California	\$3,990,000	Lease Revenue Bonds	04/24/08	Kummer/ Casterline
State Public Works Board of the State of California	\$435,145,000	Lease Revenue Bonds 2009	04/15/09	Kummer/ Casterline
State Public Works Board of the State of California	\$206,830,000	Lease Revenue Bonds 2009	04/30/09	Kummer/ Casterline
State Public Works Board of the State of California	\$250,000,000	Lease Revenue Bonds 2009 Series G	10/22/09	Kummer/ Casterline
State Public Works Board of the State of California	\$555,210,000	Lease Revenue Bonds 2009 Series G, (Various Capital Projects)	10/29/09	Kummer/ Casterline
State Public Works Board of the State of California	\$743,310,000	Lease Revenue Bonds, 2008 Series I (Various Capital Projects)	12/01/09	Kummer/ Casterline
State Public Works Board of the State of California	\$215,735,000	Lease Revenue Bonds, 2010 Series A	04/08/10	Kummer/ Casterline
State Public Works Board of the State of California	\$54,215,000	Lease Revenue Bonds, 2010 Series A	04/08/10	Kummer/ Casterline
State Public Works Board of the State of California	\$153,895,000	Lease Revenue Bonds, 2010 Series	04/21/10	Kummer/ Casterline
State Public Works Board of the State of California	\$246,425,000	Lease Revenue Bonds, 2010 Series	05/07/10	Kummer/ Casterline
State Public Works Board of the State of California	\$490,385,000	Lease Revenue Bonds	10/20/11	Kummer/ Casterline
State Public Works Board of the State of California	\$496,830,000	Lease Revenue Bonds	11/09/11	Kummer/ Casterline
State Public Works Board of the State of California	\$295,200,000	Lease Revenue Bonds	11/29/11	Kummer/ Casterline
State Public Works Board of the State of California	\$932,995,000	Lease Revenue Bonds	04/03/12	Kummer/ Casterline
State Public Works Board of the State of California	\$309,875,000	Lease Revenue Bonds	04/26/12	Kummer/ Casterline
		(Department of Corrections and Rehabilitation) 2007 Series D		
		(Dept. of Forestry and Fire Protection) 2007 Series E, (Dept. of Corrections and Rehabilitation) 2007 Series F and Long Hospital Seismic Upgrade) \$14,835,000 2008 Series C (Natural Science Unit 2-McGough Hall Expansion) (Office Building 10 Renovation)		
		(California Community Colleges) 2008 Series E (Department of Justice) 2008 Series F (Department of Education) 2008 Series G \$182,860,000 Series A, \$107,715,000 Series B \$165,725,000 The Regents of the University of California (Various University of California Projects) Subseries G-2 Subseries G-1 (Tax-Exempt Bonds) 2009 Series J (Various Capital Projects) 2010 Subseries A-1 (Various Capital Projects), 2010 Subseries A-2 \$82,900,000 Subseries B-1 (Tax-Exempt Bonds)(Trustees of the California State University) \$96,805,000 Subseries B-2 (Federally Taxable BABs)(Trustees of the California State University) \$237,665,000 2011 Series A (Various Capital Projects) (Judicial Council of California) 2011 Series D (The Regents of the University of California) 2012 Series A \$4,050,000 (The Regents of the University of California) 2012 Series B, (Business Unit II at the Irvine Campus) 2012 Series C, (California State Prison - Kern County at Delano II)		



OR685344

# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YY)  
12/12/2012

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICY BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> Commercial Lines - (415) 541-7900 Wells Fargo Insurance Services USA, Inc. - CA Lic#: 0D08408 45 Fremont Street, Suite 800 San Francisco, CA 94105-2259	<b>CONTACT NAME:</b> CSU Unit <b>PHONE (A/C, No, Ext):</b> 415-541-7900 <b>E-MAIL ADDRESS:</b> sanfrancisco.certs@wellsfargo.com	<b>FAX (A/C, No):</b> 866-495-4735
	<b>INSURER(S) AFFORDING COVERAGE</b>	
<b>INSURED</b> BLX Group, LLC 777 South Figueroa Street, Suite 3200 Los Angeles, CA 90017	<b>INSURER A:</b> Great Northern Insurance Company	<b>NAI#</b> 20303
	<b>INSURER B:</b> Federal Insurance Company	<b>NAI#</b> 20281
	<b>INSURER C:</b>	
	<b>INSURER D:</b>	
	<b>INSURER E:</b>	
	<b>INSURER F:</b>	

**COVERAGES**                      **CERTIFICATE NUMBER:** 5278338                      **REVISION NUMBER:** See below

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PER INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADD'L SUBR INSR   WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<b>GENERAL LIABILITY</b> <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC	X	35821151	06/01/2012	06/01/2013	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ incl in G
B	<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO ALL OWNED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> SCHEDULED AUTOS NON-OWNED AUTOS	X	74996569	06/01/2012	06/01/2013	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
B	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED      RETENTION \$	X	79820023	06/01/2012	06/01/2013	EACH OCCURRENCE \$ 5,000,000 AGGREGATE \$ 5,000,000
	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A				<input type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$

**DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES** (Attach ACORD 101, Additional Remarks Schedule, if more space is required)  
 80-02-2367 (8-04), 16-02-0292 (Ed. 9-10) City of Oceanside, its agents and employees are included as additional insureds per forms attached.

**CERTIFICATE HOLDER**

City of Oceanside  
 City Treasurer's Office  
 attn: Michele C. Lund, CCMT, Treasury Manager  
 300 North Coast Highway  
 Oceanside CA 92054

**CANCELLATION**

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE







# Liability Insurance

## Endorsement

Policy Period 06/01/2012 TO 06/01/2013

Effective Date 06/01/2012

Policy Number 35821151

Insured BLX Group, LLC

Name of Company GREAT NORTHERN INSURANCE COMPANY

Date Issued 06/01/2012

This Endorsement applies to the following forms:

**GENERAL LIABILITY**

Under Who Is An Insured, the following provision is added:

### Who Is An Insured

#### Scheduled Person Or Organization

Subject to all of the terms and conditions of this insurance, any person or organization shown in the Schedule, acting pursuant to a written contract or agreement between you and such person or organization, is an insured; but they are insureds only with respect to liability arising out of your operations, or your premises, if you are obligated, pursuant to such contract or agreement, to provide them with such insurance as is afforded by this policy.

However, no such person or organization is an insured with respect to any:

- assumption of liability by them in a contract or agreement. This limitation does not apply to the liability for damages for injury or damage, to which this insurance applies, that the person or organization would have in the absence of such contract or agreement.
- damages arising out of their sole negligence.

### Schedule

**BLANKET ADDITIONAL INSURED:**  
HOWEVER, NO PERSON OR ORGANIZATION IS AN INSURED UNDER THIS PROVISION: WHO IS MORE SPECIFICALLY DESCRIBED UNDER ANY OTHER PROVISION OF THE WHO IS AN INSURED SECTION OF THIS POLICY (REGARDLESS OF ANY LIMITATION APPLICABLE THERETO). WITH RESPECT TO ASSUMPTION OF LIABILITY BY THEN IN A CONTRACT OR AGREEMENT. THIS LIMITATION DOES NOT APPLY TO THE LIABILITY FOR DAMAGES FOR INJURY OR DAMAGE, TO WHICH THIS INSURANCE APPLIES, THAT THE PERSON OR ORGANIZATION

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**Liability Endorsement**  
(continued)

WOULD HAVE IN THE ABSENCE OF SUCH CONTRACT OR AGREEMENT,  
WITH RESPECT TO DAMAGES ARISING OUT OF THEIR SOLE  
NEGLIGENCE.

All other terms and conditions remain unchanged.

Authorized Representative

*Robert Hamburger*

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## COMMERCIAL AUTOMOBILE

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

### COMMERCIAL AUTOMOBILE BROAD FORM ENDORSEMENT

This endorsement modifies insurance provided under the following:

#### **BUSINESS AUTO COVERAGE FORM**

This endorsement modifies the Business Auto Coverage Form.

##### **1. EXTENDED CANCELLATION CONDITION**

Paragraph A.2.b. – CANCELLATION – of the COMMON POLICY CONDITIONS form IL 00 17 is deleted and replaced with the following:

b. 60 days before the effective date of cancellation if we cancel for any other reason.

##### **2. BROAD FORM INSURED**

###### **A. Subsidiaries and Newly Acquired or Formed Organizations As Insureds**

The Named Insured shown in the Declarations is amended to include:

1. Any legally incorporated subsidiary in which you own more than 50% of the voting stock on the effective date of the Coverage Form. However, the Named Insured does not include any subsidiary that is an "insured" under any other automobile policy or would be an "insured" under such a policy but for its termination or the exhaustion of its Limit of Insurance.
2. Any organization that is acquired or formed by you and over which you maintain majority ownership. However, the Named Insured does not include any newly formed or acquired organization:
  - (a) That is an "insured" under any other automobile policy;
  - (b) That has exhausted its Limit of Insurance under any other policy; or
  - (c) 180 days or more after its acquisition or formation by you, unless you have given us written notice of the acquisition or formation.

Coverage does not apply to "bodily injury" or "property damage" that results from an "accident" that occurred before you formed or acquired the organization.

###### **B. Employees as Insureds**

Paragraph A.1. – WHO IS AN INSURED – of SECTION II – LIABILITY COVERAGE is amended to add the following:

- d. Any "employee" of yours while using a covered "auto" you don't own, hire or

borrow in your business or your personal affairs.

###### **C. Lessors as Insureds**

Paragraph A.1. – WHO IS AN INSURED – of SECTION II – LIABILITY COVERAGE is amended to add the following:

- e. The lessor of a covered "auto" while the "auto" is leased to you under a written agreement if:
  - (1) The agreement requires you to provide direct primary insurance for the lessor; and
  - (2) The "auto" is leased without a driver. Such leased "auto" will be considered a covered "auto" you own and not a covered "auto" you hire. However, the lessor is an "insured" only for "bodily injury" or "property damage" resulting from the acts or omissions by:
    1. You;
    2. Any of your "employees" or agents; or
    3. Any person, except the lessor or any "employee" or agent of the lessor, operating an "auto" with the permission of any of 1. and/or 2. above.

###### **D. Persons And Organizations As Insureds Under A Written Insured Contract**

Paragraph A.1 – WHO IS AN INSURED – of SECTION II – LIABILITY COVERAGE is amended to add the following:

- f. Any person or organization with respect to the operation, maintenance or use of a covered "auto", provided that you and such person or organization have agreed under an express provision in a written "insured contract", written agreement or a written permit issued to you by a governmental or public authority to add such person or organization to this policy as an "insured". However, such person or organization is an "insured" only:

- (1) with respect to the operation, maintenance or use of a covered "auto"; and
- (2) for "bodily injury" or "property damage" caused by an "accident" which takes place after:
  - (a) You executed the "insured contract" or written agreement; or
  - (b) The permit has been issued to you.

3. **FELLOW EMPLOYEE COVERAGE**  
 EXCLUSION 5. - FELLOW EMPLOYEE - of SECTION II - LIABILITY COVERAGE does not apply.
4. **PHYSICAL DAMAGE - ADDITIONAL TEMPORARY TRANSPORTATION EXPENSE COVERAGE**  
 Paragraph A.4.a. - TRANSPORTATION EXPENSES - of SECTION III - PHYSICAL DAMAGE COVERAGE is amended to provide a limit of \$50 per day for temporary transportation expense, subject to a maximum limit of \$1,000.

5. **AUTO LOAN/LEASE GAP COVERAGE**  
 Paragraph A. 4. - COVERAGE EXTENSIONS - of SECTION III - PHYSICAL DAMAGE COVERAGE is amended to add the following:

- c. **Unpaid Loan or Lease Amounts**  
 In the event of a total "loss" to a covered "auto", we will pay any unpaid amount due on the loan or lease for a covered "auto" minus:
1. The amount paid under the Physical Damage Coverage Section of the policy; and
  2. Any:
    - a. Overdue loan/lease payments at the time of the "loss";
    - b. Financial penalties imposed under a lease for excessive use, abnormal wear and tear or high mileage;
    - c. Security deposits not returned by the lessor;
    - d. Costs for extended warranties, Credit Life Insurance, Health, Accident or Disability Insurance purchased with the loan or lease; and
    - e. Carry-over balances from previous loans or leases.

We will pay for any unpaid amount due on the loan or lease if caused by:

1. Other than Collision Coverage only if the Declarations indicate that Comprehensive Coverage is provided for any covered "auto";
2. Specified Causes of Loss Coverage only if the Declarations indicate that Specified Causes of Loss Coverage is provided for any covered "auto"; or
3. Collision Coverage only if the Declarations indicate that Collision Coverage is provided for any covered "auto".

6. **RENTAL AGENCY EXPENSE**  
 Paragraph A. 4. - COVERAGE EXTENSIONS - of

SECTION III - PHYSICAL DAMAGE COVERAGE is amended to add the following:

- d. **Rental Expense**  
 We will pay the following expenses that you or any of your "employees" are legally obligated to pay because of a written contract or agreement entered into for use of a rental vehicle in the conduct of your business:

**MAXIMUM WE WILL PAY FOR ANY ONE CONTRACT OR AGREEMENT:**

1. \$2,500 for loss of income incurred by the rental agency during the period of time that vehicle is out of use because of actual damage to, or "loss" of, that vehicle, including income lost due to absence of that vehicle for use as a replacement;
2. \$2,500 for decrease in trade-in value of the rental vehicle because of actual damage to that vehicle arising out of a covered "loss"; and
3. \$2,500 for administrative expenses incurred by the rental agency, as stated in the contract or agreement.
4. \$7,500 maximum total amount for paragraphs 1., 2. and 3. combined.

7. **EXTRA EXPENSE - BROADENED COVERAGE**  
 Paragraph A.4. - COVERAGE EXTENSIONS - of SECTION III - PHYSICAL DAMAGE COVERAGE is amended to add the following:

- e. **Recovery Expense**  
 We will pay for the expense of returning a stolen covered "auto" to you.

8. **AIRBAG COVERAGE**  
 Paragraph B.3.a. - EXCLUSIONS - of SECTION III - PHYSICAL DAMAGE COVERAGE does not apply to the accidental or unintended discharge of an airbag. Coverage is excess over any other collectible insurance or warranty specifically designed to provide this coverage.

9. **AUDIO, VISUAL AND DATA ELECTRONIC EQUIPMENT - BROADENED COVERAGE**  
 Paragraph B.4. - EXCLUSIONS - of SECTION III - PHYSICAL DAMAGE is deleted and replaced with the following:

4. We will not pay for "loss" to any of the following:
  - a. Tapes, records, discs or other similar audio, visual or data electronic devices designed for use with audio, visual or data electronic equipment.
  - b. Any device designed or used to detect speed-measuring equipment such as radar or laser detectors and any jamming apparatus intended to elude or disrupt speed-measuring equipment.
  - c. Any electronic equipment, without regard to whether this equipment is permanently installed, that reproduces, receives or transmits audio, visual or data signals.

- d. Any accessories used with the electronic equipment described in paragraph c. above.

Exclusions 4.c. and 4.d. do not apply to equipment designed to be operated solely by use of the power from the "auto's" electrical system that, at the time of "loss", is:

- a. Permanently installed in or upon the covered "auto";
- b. Removable from a housing unit which is permanently installed in or upon the covered "auto";
- c. An integral part of the same unit housing any electronic equipment described in Paragraphs a. and b. above, or
- d. Necessary for the normal operation of the covered "auto" or the monitoring of the covered "auto's" operating system.

\$2,000 is the most we will pay for "loss" in any one "accident" to all electronic equipment that reproduces, receives or transmits audio, visual or data signals which, at the time of "loss", is:

- a. Permanently installed in or upon the covered "auto" in a housing, opening or other location that is not normally used by the "auto" manufacturer for the installation of such equipment;
- b. Removable from a permanently installed housing unit as described in Paragraph 2.a. above or is an integral part of that equipment; or
- c. An integral part of such equipment.

**10. GLASS REPAIR – WAIVER OF DEDUCTIBLE**  
Under Paragraph D. - DEDUCTIBLE – of SECTION III – PHYSICAL DAMAGE COVERAGE the following is added:

No deductible applies to glass damage if the glass is repaired rather than replaced.

**11. TWO OR MORE DEDUCTIBLES**

Paragraph D.- DEDUCTIBLE – of SECTION III – PHYSICAL DAMAGE COVERAGE is amended to add the following:

If this Coverage Form and any other Coverage Form or policy issued to you by us that is not an automobile policy or Coverage Form applies to the same "accident", the following applies:

- 1. If the deductible under this Business Auto Coverage Form is the smaller (or smallest) deductible, it will be waived; or
- 2. If the deductible under this Business Auto Coverage Form is not the smaller (or smallest) deductible, it will be reduced by the amount of the smaller (or smallest) deductible.

**12. AMENDED DUTIES IN THE EVENT OF**

**ACCIDENT, CLAIM, SUIT OR LOSS**

Paragraph A.2.a. - DUTIES IN THE EVENT OF AN ACCIDENT, CLAIM, SUIT OR LOSS of SECTION IV - BUSINESS AUTO CONDITIONS is deleted and replaced with the following:

- a. In the event of "accident", claim, "suit" or "loss", you must promptly notify us when the "accident" is known to:
  - (1) You or your authorized representative, if you are an individual;
  - (2) A partner, or any authorized representative, if you are a partnership;
  - (3) A member, if you are a limited liability company; or
  - (4) An executive officer, insurance manager, or authorized representative, if you are an organization other than a partnership or limited liability company.

Knowledge of an "accident", claim, "suit" or "loss" by other persons does not imply that the persons listed above have such knowledge. Notice to us should include:

- (1) How, when and where the "accident" or "loss" occurred;
- (2) The insured's name and address; and
- (3) To the extent possible, the names and addresses of any injured persons or witnesses.

**13. WAIVER OF SUBROGATION**

Paragraph A.5. - TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US of SECTION IV – BUSINESS AUTO CONDITIONS is deleted and replaced with the following:

- 5. We will waive the right of recovery we would otherwise have against another person or organization for "loss" to which this insurance applies, provided the "insured" has waived their rights of recovery against such person or organization under a contract or agreement that is entered into before such "loss".

To the extent that the "insured's" rights to recover damages for all or part of any payment made under this insurance has not been waived, those rights are transferred to us. That person or organization must do everything necessary to secure our rights and must do nothing after "accident" or "loss" to impair them. At our request, the insured will bring suit or transfer those rights to us and help us enforce them.

**14. UNINTENTIONAL FAILURE TO DISCLOSE HAZARDS**

Paragraph B.2. – CONCEALMENT, MISREPRESENTATION or FRAUD of SECTION IV – BUSINESS AUTO CONDITIONS - is deleted and replaced with the following:

If you unintentionally fail to disclose any hazards existing at the inception date of your policy, we will

not void coverage under this Coverage Form because of such failure.

**15. AUTOS RENTED BY EMPLOYEES**

Paragraph B.5. - OTHER INSURANCE of SECTION IV - BUSINESS AUTO CONDITIONS - is amended to add the following:

- e. Any "auto" hired or rented by your "employee" on your behalf and at your direction will be considered an "auto" you hire. If an "employee's" personal insurance also applies on an excess basis to a covered "auto" hired or rented by your "employee" on your behalf and at your direction, this insurance will be primary to the "employee's" personal insurance.

**16. HIRED AUTO - COVERAGE TERRITORY**

Paragraph B.7.e. (1) - POLICY PERIOD, COVERAGE TERRITORY of SECTION IV - BUSINESS AUTO CONDITIONS is deleted and replaced with the following:

- (1) A covered "auto" of the private passenger type is leased, hired, rented or borrowed without a driver for a period of 45 days or less; and

**17. RESULTANT MENTAL ANGUISH COVERAGE**

Paragraph C. of - SECTION V - DEFINITIONS is deleted and replaced by the following:

"Bodily injury" means bodily injury, sickness or disease sustained by any person, including mental anguish or death as a result of the "bodily injury" sustained by that person.

