

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

994



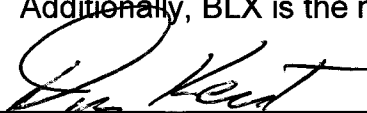
**FROM:** Don Kent, Treasurer-Tax Collector

**SUBMITTAL DATE:**  
August 19, 2010

**SUBJECT:** Investment Advisory Management Services Agreement Renewal and Amendment for County of Riverside Asset Leasing Corporation (CORAL) bond and Certificate of Participation (COP) proceeds.

**RECOMMENDED MOTION:** That the Board approve the renewal and amendment to Bond Logistix LLC's (BLX) contract and the Chairman be authorized to sign the contract on behalf of the Board.

**BACKGROUND:** BLX currently provides investment advisory management services for CORAL bond and Certificate of Participation (COP) proceeds. BLX is the preeminent firm in the U.S. offering post-issuance services to state and local governments for their outstanding bond and COP issues. They are a Securities Exchange Commission registered investment advisor wholly owned by the law firm Orrick, Herrington & Sutcliffe LLP which in turn is the largest bond law firm in the U.S. It gives the Treasurer's office a high level of comfort working with a highly regulated firm which is also carefully scrutinized by its owners. Additionally, BLX is the major provider of



Don Kent, Treasurer-Tax Collector

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 24,920	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2010-2011

**SOURCE OF FUNDS:** Capital Administration and Finance Budget

Positions To Be Deleted Per A-30	<input type="checkbox"/>
Requires 4/5 Vote	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:**

**APPROVE**

BY:   
Christopher M. Hans

County Executive Office Signature

FORM APPROVED COUNTY COUNSEL

BY:  DATE: 8/19/10

Departmental Concurrence

☒ Consent  
☐ Policy  
☐ Consent  
☒ Policy

Dep't Recomm.:  
 Per Exec. Ofc.:

3.91

BOARD OF SUPERVISORS

Form 11: BLX Investment Advisory Management Services

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**BACKGROUND CONT:** arbitrage rebate and compliance services nationwide. BLX has provided excellent and unique services to the County Treasurer in performing their investment management and compliance reporting duties during the term of their contract and we hereby request that the agreement be renewed for an additional five years.

In the spirit of the County of Riverside SCRAPE program, the Treasurer's Office has negotiated with the vendor an \$8,080 decrease (approximately 25%) in annual printing and reporting costs.

See the attached contract agreement.

## **AGREEMENT**

THIS AGREEMENT FOR INVESTMENT ADVISORY MANGEMENT SERVICES is made and entered into in Riverside, California on the date hereof, originally effective as of August 29, 1995 and as amended as of October 30, 1995, November 21, 1996, and September 1, 2010 by and between the County of Riverside (hereinafter "County"), and BLX Group LLC, a limited liability company of Delaware with its principal place of business located at 777 South Figueroa Street, Suite 3200, Los Angeles, California 90017 (hereinafter "BLX").

### **WITNESSETH:**

WHEREAS, the Board of the County of Riverside Asset Leasing Corporation ("CORAL") established by the County has delegated to the County Treasurer the responsibility for investment of CORAL bond and Certificate of Participation ("COP") proceeds.

WHEREAS, the County Treasurer's Office currently engages BLX to provide investment related services as outlined herein.

NOW, THEREFORE, in consideration of the mutual terms, covenants, and conditions contained herein, the parties hereto agrees as follows:

### **1. SCOPE OF BLX'S SERVICES:**

#### **Compliance Detailed Asset Reporting**

Continue to provide the Treasurer, the CORAL Board, and the County's Investment Oversight Committee with a quarterly report containing investment holdings of each of the County's outstanding CORAL debt issues with the exception of de minimis balances invested either in money market mutual funds and/or US Treasury- State and Local Government Series securities (as determined by the Treasurer).

Each report shall contain: a) a consolidated listing of investment securities by type, quality and maturity; b) the book value compared to current market value and sources of valuations; c) each individual issue's arbitrage yield, current rate of earnings and arbitrage status accrued through the latest rebate report or estimate; and d) a cover letter certifying the compliance of each issue's investment with the "permitted investments" definition in its indenture or fiscal agency agreement and description of any investment activity having occurred during the quarter.

#### **Investment Advisory Services**

BLX shall act in an advisory role in the management of the County's CORAL bond and COP proceeds.

BLX shall work with the County Executive Office, which will provide cash flow requirements for the funds and accounts of each CORAL financing. Thereafter BLX will establish a strategy to maximize income while working within the CORAL Statement of Investment Policy guidelines on safety and liquidity. BLX will report to and be under the supervision of the County Treasurer in regards to developing and implementing such investment strategies. Close coordination with the County's Arbitrage Rebate Compliance Service will be required.

The implementation of recommended strategies will be based upon the consideration of the full range of investment instruments allowable under the respective issue's bond documents (i.e., individual securities, Money Market Funds, and Structured Products).

BLX shall analyze each bond issue's investments from an asset/liability management perspective and develop strategies to optimize the investments as allowable under each specific issue's "Permitted Investments" and the CORAL Statement of Investment Policy. Every attempt shall be made, where practical, to structure BLX's compensation in a way that will be deductible from arbitrage rebate under U.S. Treasury regulations.

BLX shall continue to monitor and review, and, when necessary, assist the County Treasurer in revising the CORAL Investment Policy. The objective of investing bond or COP proceeds shall be the reduction or elimination of negative arbitrage without compromising the safety or liquidity of monies invested.

BLX shall act on behalf of the Treasurer, in our capacity as an SEC Registered Investment Advisor, in preparing bid specifications, in soliciting and awarding Investment Agreement contracts for the various County Bond and COP proceeds where applicable.

#### Financial Products and Swap Advisory Services

##### *A. Policy and Education*

Assist in developing guidelines for financial products utilization for both individual transactions and as part of an overall debt and investment management program. Such a "swap policy" identifies objectives and risk tolerances for financial products utilization and establishes priorities among potentially competing objectives (e.g., economic benefit vs. risk exposure) and may require input from rating agencies, bond insurer(s), and the County's legal counsel, advisors, and/or banking teams. Provide financial products training to County staff, board members and/or other key decision makers, including one or more structured educational sessions on-site at the County if so requested.

##### *B. Structuring Advice and Proposal Evaluation*

Analyze financing structures proposed to or otherwise available to the County to achieve its stated objectives and recommend as appropriate alternative structures or features that may provide additional value to the County. Assist the County in determining whether relevant facts and circumstances have been identified to formulate and achieve its financing objectives and that potential issues which may arise from entering into an interest rate swap or related instrument have been appropriately addressed.

Assist in the transaction structuring, including evaluating the various risks (e.g., counterparty, termination, basis, tax, and collateral-posting risks) and benefits associated with each available structure and work with the County to assign relative values to identified risks and benefits. As appropriate, BLX will perform various technical analyses, including regression and correlation tests to identify the most prudent structure for the particular circumstances and stress-tests of potential outcomes for the swap in a variety of potential future market conditions –on both a stand-alone basis and in the context of the County's overall asset/liability management efforts.

##### *C. Procurement / Pricing Negotiation and Certification*

BLX will independently evaluate all pricing to assure that the rate offered to the County is consistent with the compensation level agreed upon with the swap counterparty and is otherwise within the range reasonable and customary for similar transactions.

BLX will provide certifications that the transaction was executed at fair market value and other matters reasonably required by the County and its counsel with respect to the contemplated transaction.

*D. Documentation*

Assist the County in all aspects of document negotiation, including the International Swaps and Derivatives Association (ISDA) Master Agreement, Schedule to the Master Agreement, Credit Support Annex (CSA) and forms of trade confirmation (Confirm). BLX will help coordinate the closing of the transaction by working closely with all members of the working group and the swap provider.

*E. Ongoing Reporting Services (Valuation, Accounting, Disclosure)*

For both risk management and accounting purposes, the County may need to monitor its ongoing swap obligations. We would work with the County and its auditors to design a report format that includes critical measures (e.g., market value, counterparty creditworthiness, collateral exposure, hedge effectiveness, etc.) to be reported on a regular basis (e.g., quarterly, semi-annually, annually etc.)

**2. COUNTY'S COOPERATION:**

County's Treasurer's Office shall instruct its Trustee and Fiscal Agent banks to deliver complete monthly reports and statements to BLX. County Treasurer's Office shall instruct the firm retained to provide arbitrage calculations to provide BLX with a timely report after each calculation is completed for each CORAL Bond or COP issue for which a report is prepared.

**3. BLX ADDITIONAL SERVICES:**

BLX shall only undertake those services enumerated in paragraph 1 of this Agreement unless BLX is expressly authorized by the County Treasurer to undertake additional services. In this regard, additional services shall only be authorized through an amendment to this Agreement which shall be executed in the same manner as this Agreement, or through a written authorization by the County Treasurer under which separate compensation shall be arranged.

**4. COMPENSATION AND TERMS OF AGREEMENT:**

BLX shall be compensated by the County \$6,230 per quarter payable quarterly in arrears beginning September 30, 2010.

Fund Services Advisors, a wholly owned subsidiary of BLX, is compensated by AIM and Milestone (money market mutual fund management companies) and paid by the bond trustees in the form of an SEC 12b-1 fee, monthly in arrears, on balances invested in their respective money market mutual funds.

For the additional analysis required from time-to-time which may include the review of existing investments, commentary on investment strategies, review and analysis of investment policy for Bond and COP proceeds, and for acting as the Treasurer's agent in the solicitation of bids for Investment Agreements, BLX shall be compensated on a "value-added" basis. In connection with Investment Agreements, fees shall be determined pursuant to the method under the arbitrage regulations that ensure the County will be in compliance with the "safe harbor" requirements under Federal tax law. Such fees shall be paid directly by the Investment Agreement Provider.

For Policy and Education swap advisory services, BLX shall **not** be compensated by the County.

For Structuring Advice, Procurement / Pricing Negotiation and Certification, and Documentation swap advisory services, BLX shall be compensated on a per transaction basis in the amount of \$75,000.

At its discretion, the County may also choose to have BLX provide only a portion of the offered swap advisory services in which case, BLX shall be compensated \$35,000 for Structuring Advice services, \$35,000 for Procurement / Pricing Negotiation and Certification services, and \$15,000 for Documentation services.

For ongoing reporting swap advisory services, BLX shall be compensated \$1,000 for each annual report, per transaction, for inclusion in the County's Comprehensive Annual Financial Report.

The term of this Agreement shall expire September 30, 2015. Thereafter, the term is renewable annually upon the mutual agreement of both parties.

It is understood that all expenses in connection with BLX's performance of its services under this Agreement shall be borne exclusively by BLX.

## **5. INDEPENDENT CONTRACTOR:**

In performance of the work, duties, and obligations assumed by BLX under this Agreement, it is mutually understood and agreed that BLX, including any and all of BLX's officers, agents, employees, consultants, and contractors will at all time be acting and performing as an independent contractor, and shall act in an independent capacity and not as an officer, agent, servant, employee, joint venturer, partner, or associate of the Treasurer. Furthermore, the Treasurer shall have no right to control or supervise or direct the manner or method by which BLX shall perform its work and function. However, the Treasurer shall retain the right to administer this Agreement so as to verify that BLX is performing its obligations in accordance with the terms and conditions thereof. BLX and the Treasurer shall comply with all applicable provisions of law and the rules regulations, if any, governmental authorities having jurisdiction over matters the subject thereof.

Because of its status as an independent contractor, BLX shall have absolutely no right to employment rights and benefits available to County employees. BLX shall be solely liable and responsible for providing to, or on behalf of, its employees all legally-required employee benefits. In addition, BLX shall be solely responsible and hold the Treasurer harmless from all matters relating to payment of BLX's employees, including compliance with Social Security, withholding taxes, and all other regulations governing such matters. It is acknowledged that during the term of this Agreement, BLX may be providing similar services to other public entities that are related or unrelated to the Treasurer or to this Agreement.

## **6. INSURANCE**

Without limiting the Treasurer's right to obtain indemnification from BLX or any third parties, BLX, at its sole expense, shall maintain in full force and effect the following insurance policies throughout the term of this Agreement.

- a. Comprehensive General Liability Insurance with limits of coverage of not less than Two Million Dollars (\$2,000,000.00) per occurrence; and
- b. Workers Compensation Insurance as is required by the California Labor Code, providing full statutory coverage.

All such insurance policies shall be issued by California admitted insurers.

**7. OBLIGATION OF BLX REGARDING HIRING OF THIRD PARTIES:**

BLX's hiring or use of any sub-consultants or contractors shall not, in any way whatsoever, relieve BLX of its obligations under this Agreement, or increase the compensation, under paragraph 4 of this Agreement.

**8. MODIFICATION:**

Any matters of this Agreement may be modified from time to time, upon the written consent of all parties without, in any way, affecting the remainder of the Agreement.

**9. RECORD-KEEPING, AUDIT, AND INSPECTION:**

BLX shall keep complete and accurate records of the services provided, as described in paragraph 1 of this Agreement, including, but not limiting to, the services provided, and the name of the person(s) providing the service.

BLX shall at any time during business hours, and as often as the Treasurer may deem reasonable necessary, make available to the Treasurer for examination all of its records and data with respect to the matters covered by this Agreement. BLX shall, upon request by the Treasurer, permit the Treasurer to audit and inspect all of such records and data with respect to the matters covered by this Agreement.

In addition, BLX shall be subject to the examination and audit of the Auditor General for a period of three (3) years after final payment under this Agreement (Government Code section 10532).

**10. NOTICES:**

The persons and their addresses having authority to give and receive notices under this Agreement include the following:

Treasurer  
Donald Kent  
Treasurer/Tax Collector  
COUNTY OF RIVERSIDE  
4080 Lemon Street  
4th Floor  
Riverside, CA 92502-2205

BLX  
Mark Creger  
Chief Investment Officer  
BLX GROUP LLC  
777 South Figueroa Street,  
Suite 3200  
Los Angeles, CA 90017-5855

Any and all notices between the Treasurer and BLX provided for or permitted under this Agreement or by law shall be in writing and shall be deemed duly served when personally delivered to one of the parties, or in lieu of such personal service, two (2) business days following the date when deposited in the United States Mail, postage prepaid, addressed to such party. Any notices to be given or provided for under this Agreement are not modifications or changes of this Agreement.

**11. CONFLICT OF INTEREST:**

BLX promises, covenants, and warrants that BLX, including its officers, agents, and employees and permitted contractors or sub-contractors of this Agreement, presently have no interest and shall not acquire any interest, either directly or indirectly, which would conflict in any manner or degree with the performance of BLX's services hereunder.

**12. COMPLIANCE WITH LAWS:**

BLX shall comply with all federal, state, and local laws and regulations applicable to the performance of its obligations under this Agreement.

**13. GOVERNING LAW AND VENUE:**

The rights and obligations of the parties to this Agreement and the interpretation and performance of this Agreement shall be governed in all respects by the laws of the State of California. Venue for any action arising out of this Agreement shall only be in Riverside County, California.

**14. AGREEMENT IS BINDING UPON SUCCESSORS:**

This agreement shall be binding upon the Treasurer and BLX and their successors, executors, administrators, legal representatives, and assigns with respect to all the covenants, terms, and conditions set forth herein.

**15. INTERPRETATION OF AGREEMENT:**

To the fullest extent allowed by law, the covenants, terms and conditions of this Agreement shall be construed and given effect in a manner that avoids any violation of any federal, state, or local law or regulation.

The parties hereto agree that in event any covenant, term, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the covenants, terms, and conditions hereof shall remain in full force and effect, and shall in now way be affected, impaired, or invalidated thereby. If any covenant, term, or condition of this Agreement is founds violative of any law or is found to be otherwise legally defective, BLX and the Treasurer shall use their best efforts to replace that part of this Agreement with legal covenants, terms and conditions, as applicable, which most readily approximate the original intent of the parties.

BLX acknowledges that it has contributed to the making of this Agreement and that it has had an adequate opportunity to consult with legal counsel in the negotiation and preparation of this Agreement.

**16. ATTORNEYS FEES:**

In the event either party finds it necessary to bring legal action against the other party for any matter arising from or in connection with this Agreement, the party which prevails in a court of competent jurisdiction shall be entitled to receive from the other its reasonable attorneys' fees and costs incurred in bringing such action.

**17. ASSIGNMENT:**

No Assignment of this Agreement shall be made by BLX without the written consent of the County.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the dates set forth below.




DATE: 8-17-10

BLX GROUP LLC  
a California Corporation

By:   
Mark Creger, Chief Investment Officer

DATE: 8-19-10

THE COUNTY OF RIVERSIDE

By:   
Donald Kent, Treasurer-Tax Collector

DATE: \_\_\_\_\_

THE COUNTY OF RIVERSIDE, a political  
Subdivision of the State of California

By: \_\_\_\_\_  
Chairperson of the Board of Supervisors

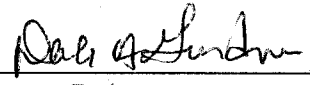
ATTEST:

Clerk of the Board of Supervisors

\_\_\_\_\_  
Deputy

**APPROVED AS TO FORM:**

RIVERSIDE COUNTY COUNSEL

By:   
Dale A. Gardner