

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

995



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


**SUBMITTAL DATE:**

August 18, 2010

**SUBJECT:** Investment Advisory Management Services Agreement Renewal and Amendment for Land Secured Districts, in particular, Community Facility Districts and Assessment Districts.

**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 land secured bond proceeds, in particular, Community Facility Districts and Assessment Districts administered by the County of Riverside Executive Office. 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

  
Don Kent, Treasurer-Tax Collector

**FINANCIAL  
DATA**

Current F.Y. Total Cost: \$ 24,920  
Current F.Y. Net County Cost: \$ 0  
Annual Net County Cost: \$ 0

In Current Year Budget: Yes  
Budget Adjustment: No  
For Fiscal Year: 2010-2011

**SOURCE OF FUNDS:** CFD and AD Administrative Funds

Positions To Be Deleted Per A-30 ☐  
Requires 4/5 Vote ☐

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

**APPROVE**

BY:   
Christopher M. Hans

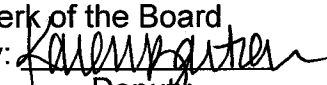
**County Executive Office Signature**

**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Tavaglione, seconded by Supervisor Stone and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley  
Nays: None  
Absent: None  
Date: August 31, 2010  
xc: Treasurer

Kecia Harper-Ihem  
Clerk of the Board

By:   
Deputy

Prev. Agn. Ref. ATTACHMENTS FILED District: ALL Agenda Number:  
WITH THE CLERK OF THE BOARD

3.92

FORM APPROVED COUNTY COUNSEL  
BY:  DATE: 8/18/10  
DALE A. GARDNER Department Concurrence

Dept't Recomm.: ☒ Policy ☐ Policy  
Consent ☒ Consent ☐ Consent  
Per Exec. Ofc.: ☐

BOARD OF SUPERVISORS

Form 11: BLX Investment Advisory Management Services

August 17, 2010

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**BACKGROUND CONT:** which is also carefully scrutinized by its owners. Additionally, BLX is the major provider of 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 a \$33,080 decrease (more than 50%) in annual printing and reporting costs.

See the attached contract agreement.

## AGREEMENT

THIS AGREEMENT FOR INVESTMENT ADVISORY MANAGEMENT SERVICES is made and entered into in Riverside, California originally effective as of September 1, 1997 and amended as of September 1, 2005, and September 1, 2010 by and between the County of Riverside (hereinafter "County"), and BLX Group LLC, a California corporation with its principal place of business located at 777 South Figueroa Street, Suite 3200, Los Angeles, California 90017 (hereinafter "BLX").

### WITNESSETH:

WHEREAS, the County Executive office (CEO), as administrator for those Community Facility Districts (CFD's) and Assessment Districts (AD's) established by the County, issued a Request for Proposal (RFP) for Investment Services to manage trust assets then held for 27 CFD's and AD's on May 13, 1997.

WHEREAS, BLX was awarded a contract pursuant to the RFP process and has performed under the contract;

WHEREAS, the CEO has requested that the Treasurer assist in the investment of the Community Facilities District and Assessment District assets;

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:

BLX shall provide Investment Advisory services separated into

1. Investment Management
  - a) structured Product design and procurement
  - b) money market mutual fund "bank trustee sweeps"
  - c) purchase and sale of individual securities
2. Compliance and Detailed Asset Reporting

#### Investment Management

BLX shall act in an advisory role in the management of the County's land secured bond proceeds.

BLX shall work with the County Executive Office, which will provide cash flow requirements for the funds and accounts of each Land Based Financing. Thereafter BLX will establish a strategy to maximize income while working within the Land Secured 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 Land Secured 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 Treasury regulations.

#### Compliance Detailed Asset Reporting

The County Treasurer's Office has specified the reporting requirements as shown in Exhibit "A" (attached). Such quarterly report shall consolidate all Land Based Issues by Investment Sector separately identifying each asset by its quality, maturity, percentage of overall portfolio, market value, book value, yield, Cusip number, and specific CFD or AD holding that asset.

Such quarterly report shall contain an Asset Allocation Summary demonstrating the overall portfolio breakdown by categories and their respective percentages of the portfolio at quarter end market value.

Lastly, such report shall contain a complete asset listing for each of the outstanding bond issues identifying the investment holdings by account name and number, its investments, their yields, maturities, ratings, as well as book and market values. Where applicable, the most recent arbitrage positions and arbitrage yields will be included.

#### 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 complete for each CFD or AD for which a report is prepared.

#### 3. BLX'S EXTRA SERVICES:

BLX shall only undertake those services for the Land Secured Financing's enumerated in paragraph 1 of this Agreement, unless BLX is expressly authorized by the County Treasurer to undertake extra services regarding the CFD's or AD's. In this regard, extra services shall only be authorized for those Land Secured Financings 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. Other services may be provided by BLX to the County pursuant to a separate County Agreement for which separate compensation shall be arranged.

#### 4. COMPENSATION AND TERM OF AGREEMENT:

BLX shall be compensated by the County \$6,230 per quarter payable quarterly in arrears beginning September 1, 2010.

Additionally there are two potential areas in which BLX may receive average balance and/or transaction related fees. The first is through the use of alternative trustee sweep accounts with U.S. Bank, or BNY Western. BLX's broker-dealer subsidiary, Fund Services Advisors, Inc. ("FSA") has arranged for the use of two alternative money market mutual funds as sweep vehicles for FSA's clients - the AIM funds and Milestone funds. In both cases, these funds are comparable to the existing bank

trustee sweeps. FSA may receive from the fund management company a fee of 5 basis points calculated on the average balances invested in such funds. These alternate sweep funds are to be used only if such money market funds is the most suitable and appropriate investment instrument given the requirements of specific funds and accounts of various issues.

The second area is one in which Structured Products (e.g. Investment Agreements) are the most suitable and appropriate investment for a specific issue's proceeds. The winning provider of such Structured Product will pay directly to BLX a fee that is customarily eligible to be deductible from the rebate payment otherwise due and payable to the U.S. Treasury.

There shall be no "trade" related fees on transaction involving individual securities.

The term of this Agreement shall be for five years (5) years. 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.

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 providing the service.

BLX shall at any time during business hours, and as often as the CEO and/or Treasurer may deem reasonable necessary, make available to the CEO and/or Treasurer for examination all of its records and data with respect to the matters covered by this Agreement. BLX shall, upon request by the CEO and/or Treasurer, permit the CEO and/or 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 modification 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: [Signature]  
Mark Creger, Chief Investment Officer

DATE: 8-19-10

THE COUNTY OF RIVERSIDE

By: [Signature]  
Donald Kent, Treasurer/Tax Collector

DATE: AUG 31 2010

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

By: [Signature]  
Chairperson of the Board of Supervisors  
Marion Ashley

ATTEST:  
Kecia Harper - Thom  
Clerk of the Board of Supervisors

[Signature]  
Deputy

APPROVED AS TO FORM:

RIVERSIDE COUNTY COUNSEL

By: [Signature]  
Dale A. Gardner