



# CONTRACT AMENDMENT

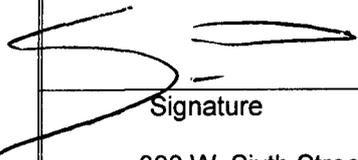
**Materials Management Procurement**  
 9875 N. 85<sup>th</sup> Ave., 2<sup>nd</sup> Fl.  
 Peoria, AZ 85345  
 Telephone: (623) 773-7115  
 Fax: (623) 773-7118

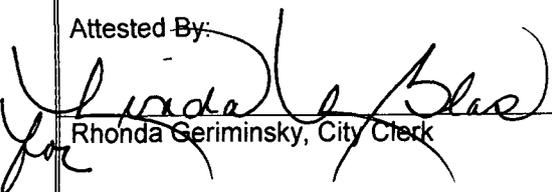
Solicitation No. P12-0046 Page 1 of 1  
 Description: Investment Management Services  
 Amendment No. Four (4) Date: 5/11/16

Buyer: Lisa Houg

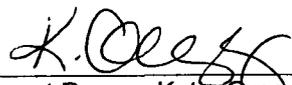
In accordance with the Contract Special Terms and Conditions, **Contract Extension**, the above referenced contract shall expire on 7/31/16. The contract is being extended and the new contract term is **8/1/2016 through 7/31/2017**. Last year of contract.

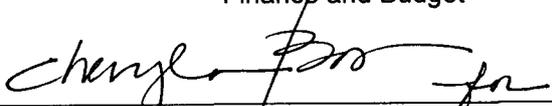
Contractor hereby acknowledges receipt and agreement. A signed copy shall be filed with the City of Peoria, Materials Management Division.

	6/9/16	Scott McIntyre, Senior Vice President	First Southwest Asset Management, Inc.
Signature	Date	Typed Name and Title	Company Name
300 W. Sixth Street, Ste. 1940		Austin	TX 78701
Address		City	State Zip Code

Attested By:  
  
 Rhonda Geriminsky, City Clerk

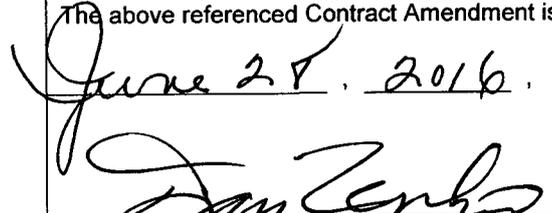
  
 Director: Brent Mattingly, Chief Financial Officer

  
 Department Rep: Katie Gregory, Deputy Director of Finance and Budget

  
 Approved as to Form: City Attorney



CC Number  
 ACON38312D  
 Contract Number

The above referenced Contract Amendment is hereby Executed  
 June 28, 2016 at Peoria, Arizona  
  
 Dan Zenko, Materials Manager

City Seal  
 Copyright 2003 City of Peoria, Arizona

Official File

A C O N 3 8 3 1 2 D



# CONTRACT AMENDMENT

## Materials Management Procurement

9875 N. 85<sup>th</sup> Ave., 2<sup>nd</sup> Fl.  
Peoria, AZ 85345

Telephone: (623) 773-7115  
Fax: (623) 773-7118

Solicitation No. P12-0046 Page 1 of 1  
Description: Investment Management Services  
Amendment No. Three (3) Date: 5/6/15

Buyer: Lisa Houg

In accordance with the Contract Special Terms and Conditions, **Contract Extension**, the above referenced contract shall expire on 7/31/15. The contract is being extended and the new contract term is **8/1/2015 through 7/31/2016**.

Contractor hereby acknowledges receipt and agreement. A signed copy shall be filed with the City of Peoria, Materials Management Division.

	7/24/15	Scott McIntyre, Senior Vice President	First Southwest Asset Management, Inc.
Signature	Date	Typed Name and Title	Company Name
300 W. Sixth Street, Ste. 1940		Austin	TX 78701
Address		City	State Zip Code

Attested By:

Rhonda Geriminsky, City Clerk



Director: Brent Mattingly, Chief Financial Officer

Department Rep: Katie Gregory, Deputy Director of  
Finance and Budget

CC Number

ACON38312C  
Contract Number

Approved as to Form: Stephen M. Kemp, City Attorney

The above referenced Contract Amendment is hereby Executed  
August 13, 2015, at Peoria, Arizona

Dan Zenko, Materials Manager

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# CONTRACT AMENDMENT

## Materials Management Procurement

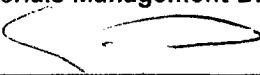
9875 N. 85<sup>th</sup> Ave., 2<sup>nd</sup> Fl.  
Peoria, AZ 85345  
Telephone: (623) 773-7115  
Fax: (623) 773-7118

Solicitation No. P12-0046 Page 1 of 1  
Description: Investment Management Services  
Amendment No. Two (2) Date: 5/20/14

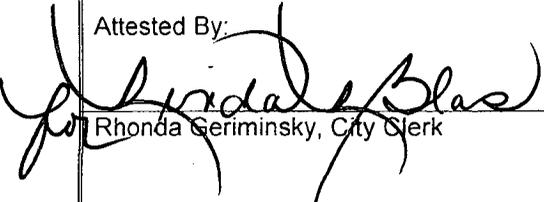
Buyer: Lisa Houg

In accordance with the Contract Special Terms and Conditions, **Contract Extension**, the above referenced contract shall expire on 7/31/14. The contract is being extended and the new contract term is **8/1/2014 through 7/31/2015**.

Contractor hereby acknowledges receipt and agreement. A signed copy shall be filed with the City of Peoria, Materials Management Division.

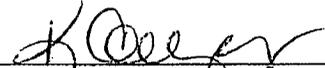
	6/11/14	Scott McIntyre, Senior Vice President	First Southwest Asset Management, Inc.
Signature	Date	Typed Name and Title	Company Name
300 W. Sixth Street, Ste. 1940		Austin	TX 78701
Address		City	State Zip Code

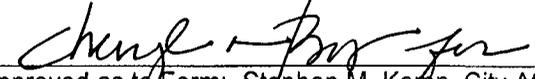
Attested By:



Rhonda Geriminsky, City Clerk

  
Director: Brent Mattingly, Chief Financial Officer

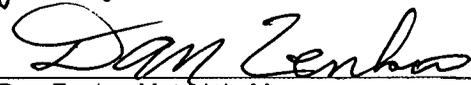
  
Department Rep: Katie Gregory, Deputy Director of Finance and Budget

  
Approved as to Form: Stephen M. Kemp, City Attorney

CC Number

ACON38312B  
Contract Number

The above referenced Contract Amendment is hereby Executed  
July 16, 2014 at Peoria, Arizona

  
Dan Zenko, Materials Manager



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Official File



# CONTRACT AMENDMENT

## Materials Management Procurement

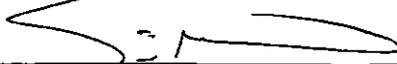
9875 N. 85<sup>th</sup> Ave., 2<sup>nd</sup> Fl.  
Peoria, AZ 85345  
Telephone: (623) 773-7115  
Fax: (623) 773-7118

Solicitation No. P12-0046 Page 1 of 1  
Description: Investment Management Services  
Amendment No. One (1) Date: 5/20/13

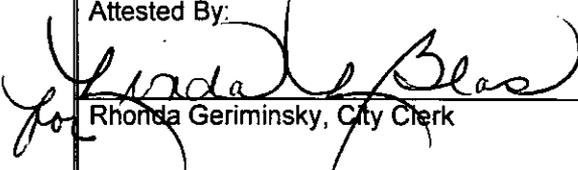
Buyer: Lisa Houg

In accordance with the Contract Special Terms and Conditions, **Contract Extension**, the above referenced contract shall expire on 7/31/13. The contract is being extended and the new contract term is 8/1/2013 through 7/31/2014.

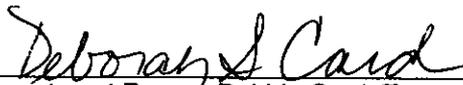
Contractor hereby acknowledges receipt and agreement. A signed copy shall be filed with the City of Peoria, Materials Management Division.

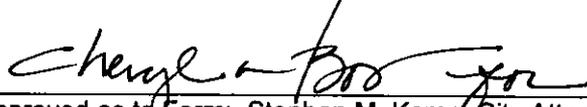
	6/7/13	Scott McIntyre, Senior Vice President	First Southwest Asset Management, Inc.
Signature	Date	Typed Name and Title	Company Name
300 W. Sixth Street, Ste. 1940		Austin	TX 78701
Address		City	State Zip Code

Attested By:

  
Rhonda Geriminsky, City Clerk

  
Director: Brent Mattingly, Director of Finance

  
Department Rep: Debbie Card, Treasury Manager

  
Approved as to Form: Stephen M. Kemp, City Attorney



CC Number  
ACON38312A  
Contract Number

The above referenced Contract Amendment is hereby Executed  
June 20, 2013 at Peoria, Arizona

  
Dan Zerko, Materials Manager  
A CON 38312A

City Seal  
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Official File



# City of Peoria, Arizona Notice of Request for Proposal



Request for Proposal No: **P12-0046**  
Materials and/or Services: **Investment Management Services**

Proposal Due Date: **April 11, 2012**  
Proposal Time: **5:00 P.M. AZ Time**

Project No: **NA**

Contact: **Lisa Houg**  
Phone: **(623) 773-7115**

Mailing Address: **City of Peoria, Materials Management  
9875 N. 85<sup>th</sup> Avenue, 2<sup>nd</sup> Floor, Peoria, AZ 85345**

In accordance with City of Peoria Procurement Code competitive sealed proposals for the material or services specified will be received by the City of Peoria Materials Management at the specified location until the date and time cited above. Proposals shall be in the actual possession of the City of Peoria Materials Management on or prior to the exact date and time indicated above. Late proposals will not be considered, except as provided in the City of Peoria Procurement Code. **Proposals shall be submitted in a sealed envelope with the Request for Proposal number and the offeror's name and address clearly indicated on the front of the envelope.** All proposals shall be completed in ink or typewritten. Offerors are strongly encouraged to carefully read the **entire** Request for Proposal Package.

### OFFER

To the City of Peoria: The undersigned on behalf of the entity, firm, company, partnership, or other legal entity listed below offers on its behalf to the City a proposal that contains all terms, conditions, specifications and amendments in the Notice of Request for Proposal issued by the City. Any exception to the terms contained in the Notice of Request for Proposal must be specifically indicated in writing and are subject to the approval of the City prior to acceptance. The signature below certifies your understanding and compliance with Paragraph 1 of the City of Peoria Standard Terms and Conditions (form COP 202) contained in the Request for Proposal package issued by the City.

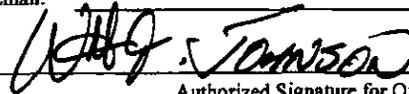
For clarification of this offer contact:

Telephone: 512-481-2009 Fax: 512-481-2010

Name: Scott McIntyre

Email: Scott.McIntyre@firstsw.com

First Southwest Asset Management

  
Authorized Signature for Offer

Company Name

Authorized Signature for Offer

300 W. Sixth Street, Suite 1940

Bill Johnson

Address

Printed Name

Austin TX 78701

Senior Vice President

City

State

Zip Code

Title

### ACCEPTANCE OF OFFER AND CONTRACT AWARD (For City of Peoria Use Only)

Your offer is accepted by the City, subject to approval of each written exception that your proposal contained. The contract consists of the following documents: 1.) Request for Proposal issued by the City; 2.) Your offer in Response to the City's Request for Proposal; 3.) This written acceptance and contract award.

As the contractor, you are now legally bound to sell the materials and/or services listed by the attached award notice, based on the solicitation of proposals, including all terms, conditions, specifications, amendments and your offer as now accepted by the City. The Contractor shall not commence any billable work or provide any material, service or construction under this contract until the Contractor receives an executed Purchase Order or written Notice to Proceed.

Attested by:

Wanda Nelson, City Clerk  
*Acting*

City of Peoria, Arizona.

Effective Date: 8/1/2012

Approved as to form:

Stephen M. Kemp, City Attorney

CC: \_\_\_\_\_

Contract Number:

ACON 38312

Contract Awarded Date July 31, 2012

Dan Zenko, Materials Management Supervisor

Official File: \_\_\_\_\_



A CON 38312



**Materials Management  
Procurement**  
9875 N. 85<sup>th</sup> Avenue  
Peoria, Arizona 85345-6560  
Phone: (623) 773-7115  
Fax: (623) 773-7118

July 18, 2012

SENT VIA EMAIL: [Scott.McIntyre@firstsw.com](mailto:Scott.McIntyre@firstsw.com)

Scott McIntyre  
First Southwest Asset Management  
300 W. Sixth Street, Suite 1940  
Austin, TX 78701

RE: City of Peoria Solicitation Number P12-0046  
Investment Management Services

Dear Mr. McIntyre:

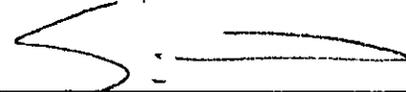
Congratulations, the City of Peoria intends to establish a contract with your Firm for Investment Management Services. This letter is to inform you that the City and your firm have mutually agreed to revise and replace Section 31 of the Special Terms and Conditions. The accepted changes are outlined below:

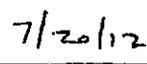
31. **Identity Theft Prevention:** The Contractor shall establish and maintain Identity Theft policies, procedures and controls for the purpose of assuring that "personal identifying information," as defined by A.R.S. § 13-2001(10), as amended, contained in its records or obtained from the City or from others in carrying out its responsibilities under the Contract, is protected at all times and shall not be used by or disclosed to unauthorized persons. Persons requesting such information should be referred to the City. Contractor also agrees that any "personal identifying information" shall not be disclosed other than to employees or officers of Contractor as needed for the performance of duties under the Contract. Contractor agrees to maintain reasonable policies and procedures designed to detect, prevent and mitigate the risk of identity theft. Contractor is required under this contract to review the City of Peoria's Identity Theft Program and to report to the Program Administrator any Red Flags as defined within that program. At a minimum, the contractor will have the following Identity Theft procedures in place:
- a. Solicit and retain only the "personal identifying information" minimally necessary for business purposes related to performance of the Contract.
  - b. Ensure that any website used in the performance of the contract is secure. If a website that is not secure is to be used, the City shall be notified in advance before any information is posted. The City reserves the right to restrict the use of any non-secure websites under this contract.
  - c. Ensure complete and secure destruction of any and all paper documents and computer files at the end of the contract's retention requirements, provided however, that the obligation to destroy paper documents and computer files shall not apply to such documents and files required to be retained by law (i.e., litigation hold, etc.). Documents retained automatically as part of a computer back-up, recovery or similar system, subject to the terms of the Agreement shall ultimately be destroyed/purged no later than six years after termination of the Agreement pursuant to the normal business recovery system.
  - d. Ensure that office computers are password protected and that computer screens lock after a set period of time.
  - e. Ensure that offices and workspaces containing customer information are secure.
  - f. Ensure that computer virus protection is up to date.



**Materials Management  
Procurement**  
9875 N. 85<sup>th</sup> Avenue  
Peoria, Arizona 85345-8560  
Phone: (623) 773-7115  
Fax: (623) 773-7118

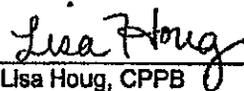
This will be part of your contract and will supersede any conflicting information from your original proposal. Please signify your acceptance of the above changes by signing below and returning to me as soon as possible. Electronic copy is acceptable.

  
\_\_\_\_\_  
Signature

  
\_\_\_\_\_  
Date

If you have any questions please email me [Lisa.Houg@peoriaaz.gov](mailto:Lisa.Houg@peoriaaz.gov) or call me at (623) 773-7191.

Sincerely,

  
\_\_\_\_\_  
Lisa Houg, CPPB  
Contract Officer



300 W. 6th Street  
Suite 1940  
Austin, Texas 78701

512-481-2009 Direct  
800-575-3792 Toll Free  
512-481-2020 Fax

**Scott McIntyre**  
Senior Vice President  
Scott.mcintyre@firstsw.com

June 20, 2012

Ms. Lisa Houg  
Materials Management  
City of Peoria  
8400 W. Monroe St.  
Peoria, AZ 85345

Dear Lisa:

We greatly appreciate the opportunity for FirstSouthwest Asset Management to continue serving as the City's Investment Advisor, and agree to hold quarterly advisory fees at the contacted level for the duration of the contract term. In addition, we agree to lower the special projects consulting fee to \$100 per hour for the contract term.

Sincerely,

Scott McIntyre, CFA  
Senior Portfolio Manager

Cc: Debbie Card, City of Peoria



# SOLICITATION AMENDMENT

Solicitation No: P12-0046  
 Description: Investment Management Services  
 Amendment No: One (1)  
 Solicitation Due Date: April 11, 2012  
 Solicitation Due Time: 5:00 p.m.

**Materials Management Procurement**  
 9875 N. 85<sup>th</sup> Ave., 2<sup>nd</sup> Fl.  
 Peoria, Arizona 85345-6560  
 Telephone: (623) 773-7115  
 Fax: (623) 773-7118

**Buyer: Lisa Houg, CPPB**

**A signed copy of this Amendment shall be received by the City of Peoria, Materials Management no later than the Solicitation Due Date and Time.**

**P12-0046, Investment Management Services solicitation is being amended to clarify the following:**

The City utilizes an investment management approach whereby City staff works actively with the investment management firm to determine cash flow requirements and suitable investments according to the City's Investment and Portfolio Policies. The funds are held by a third party custodian designated by the City and all transactions are settled on a delivery vs. payment basis. The investment management firm maintains the list of approved broker/dealers and sets up each investment transaction for final approval by the City. The third party custodian only settles the transaction after receipt of a trade ticket signed by designated City staff.

*All other provisions of this Solicitation shall remain in their entirety.*

Vendor hereby acknowledges receipt and agreement with the amendment

*Bill Johnson* 4/10/12  
 Signature Date

Bill Johnson, Senior Vice President  
 Typed Name and Title  
 at Peoria, Arizona

First Southwest Asset Management  
 Company Name

300 W. Sixth Street, Suite 1940  
 Address

Austin TX 78701  
 City State Zip

The above referenced Solicitation Amendment is hereby Executed

March 20, 2012

*Lisa Houg*  
 Lisa Houg, CPPB  
 Contract Officer



# REQUEST FOR PROPOSAL

## INSTRUCTIONS TO OFFEROR

**Materials Management  
Procurement**  
9875 N. 85<sup>th</sup> Ave., 2<sup>nd</sup> Fl.  
Peoria, Arizona 85345-6560  
Phone: (623) 773-7115  
Fax: (623) 773-7118

1. **PREPARATION OF PROPOSAL:**
  - a. All proposals shall be on the forms provided in this *Request For Proposal* package. It is permissible to copy these forms if required. Telegraphic (facsimile) or mailgram proposals will not be considered.
  - b. The Offer and Contract Award document (COP Form 203) shall be submitted with an original ink signature by a person authorized to sign the offer.
  - c. Erasures, interlineations, or other modifications in the proposal shall be initialed in original ink by the authorized person signing the Vendor Offer.
  - d. If price is a consideration and in case of error in the extension of prices in the proposal, the unit price shall govern. No proposal shall be altered, amended, or withdrawn after the specified proposal due date and time.
  - e. Periods of time, stated as a number of days, shall be calendar days.
  - f. It is the responsibility of all Offerors to examine the entire *Request For Proposal* package and seek clarification of any item or requirement that may not be clear and to check all responses for accuracy before submitting a bid. Negligence in preparing a Proposal confers no right of withdrawal after proposal due date and time.
2. **INQUIRIES:** Any question related to the *Request For Proposal* shall be directed to the Buyer whose name appears on the front. The Offeror shall not contact or ask questions of the department for which the requirement is being procured. Questions should be submitted in writing when time permits. The Buyer may require any and all questions be submitted in writing at the Buyer's sole discretion. Any correspondence related to a *Request For Proposal* should refer to the appropriate *Request For Proposal* number, page, and paragraph number. However, the Offeror shall not place the *Request For Proposal* number on the outside of any envelope containing questions since such an envelope may be identified as a sealed proposal and may not be opened until after the official *Request For Proposal* due date and time.
3. **PROSPECTIVE OFFERORS CONFERENCE:** A prospective offerors conference may be held. If scheduled, the date and time of this conference will be indicated within this document. The purpose of this conference will be to clarify the contents of this *Request For Proposal* in order to prevent any misunderstanding of the City's position. Any doubt as to the requirements of this *Request For Proposal* or any apparent omission or discrepancy should be presented to the City at this conference. The City will then determine if any action is necessary and may issue a written amendment to the *Request for Proposal*. Oral statements or instructions will not constitute an amendment to this *Request for Proposal*.
4. **LATE PROPOSALS:** Late Proposals will not be considered, except as provided by the **City of Peoria Procurement Code**. A vendor submitting a late proposal shall be so notified.
5. **WITHDRAWAL OF PROPOSAL:** At any time prior to the specified proposal due date and time, a Vendor (or designated representative) may withdraw the proposal. Telegraphic (facsimile) or mailgram proposal withdrawals will not be considered.
6. **AMENDMENT OF PROPOSAL:** Receipt of a Solicitation Amendment (COP Form 207) shall be acknowledged by signing and returning the document prior to the specified proposal due date and time.
7. **PAYMENT:** The City will make every effort to process payment for the purchase of goods or services within thirty (30) calendar days after receipt of goods or services and a correct notice of amount due, unless a good faith dispute exists as to any obligation to pay all or a portion of the account. Any proposal that requires payment in less than thirty (30) calendar days shall not be considered.
8. **NEW:** All items shall be new, unless otherwise stated in the specifications.
9. **DISCOUNTS:** Payment discount periods will be computed from the date of receipt of material/service or correct invoice, whichever is later, to the date Buyer's payment is mailed. Unless freight and other charges are itemized, any discount provided will be taken on full amount of invoice. Payment discounts of thirty (30) calendar days or more will be deducted from the proposal price in determining the low bid. However, the Buyer shall be entitled to take advantage of any payment discount offered by the Vendor provided payment is made within the discount period.
10. **TAXES:** The City of Peoria is exempt from Federal Excise Tax, including the Federal Transportation Tax. Sales tax, if any, shall be indicated as a separate item.
11. **VENDOR REGISTRATION:** After the award of a contract, the successful Vendor shall have a completed Vendor Registration Form (COP Form 200) on file with the City of Peoria Materials Management Division.
12. **AWARD OF CONTRACT:**
  - a. Unless the Offeror states otherwise, or unless provided within this *Request For Proposal*, the City reserves the right to award by individual line item, by group of line items, or as a total, whichever is deemed most advantageous to the City.
  - b. Notwithstanding any other provision of this *Request For Proposal*, The City expressly reserves the right to:
    - (1) Waive any immaterial defect or informality; or
    - (2) Reject any or all proposals, or portions thereof, or
    - (3) Reissue a *Request For Proposal*.
  - c. A response to a *Request For Proposal* is an offer to contract with the City based upon the terms, conditions and specifications contained in the City's *Request For Proposal* and the written amendments thereto, if any. Proposals do not become contracts unless and until they are accepted by the City Council. A contract is formed when written notice of award(s) is provided to the successful Offeror(s). The contract has its inception in the award document, eliminating a formal signing of a separate contract. For that reason, all of the terms and conditions of the procurement contract are contained in the *Request For Proposal*; unless modified by a Solicitation Amendment (COP Form 207) or a Contract Amendment (COP Form 217).



## STANDARD TERMS AND CONDITIONS

**Materials Management  
Procurement**  
9875 N. 85<sup>th</sup> Ave., 2<sup>nd</sup> Fl.  
Peoria, Arizona 85345-6560  
Phone: (623) 773-7115  
Fax: (623) 773-7118

THE FOLLOWING TERMS AND CONDITIONS ARE AN EXPLICIT PART OF THE SOLICITATION AND ANY RESULTANT CONTRACT.

1. **CERTIFICATION:** By signature in the Offer section of the Offer and Contract Award page (COP Form 203), the Vendor certifies:
  - a. The submission of the offer did not involve collusion or other anti-competitive practices.
  - b. The Vendor shall not discriminate against any employee or applicant for employment in violation of Federal Executive Order 11246.
  - c. The Vendor has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip favor, or service to a public servant in connection with the submitted offer. Failure to sign the offer, or signing it with a false statement, shall void the submitted offer or any resulting contracts, and the vendor may be debarred.
2. **GRATUITIES:** The City may, by written notice to the Contractor, cancel this contract if it is found by the City that gratuities, in the form of entertainment, gifts or otherwise, were offered or given by the Contractor or any agent or representative of the Contractor, to any officer or employee of the City with a view toward securing an order, securing favorable treatment with respect to the awarding, amending, or the making of any determinations with respect to the performing of such order. In the event this contract is cancelled by the City pursuant to this provision, the City shall be entitled, in addition to any other rights and remedies, to recover or withhold from the Contractor the amount of the gratuity. Paying the expense of normal business meals which are generally made available to all eligible city government customers shall not be prohibited by this paragraph.
3. **APPLICABLE LAW:** In the performance of this agreement, contractors shall abide by and conform to any and all laws of the United States, State of Arizona and City of Peoria including but not limited to federal and state executive orders providing for equal employment and procurement opportunities, the Federal Occupational Safety and Health Act and any other federal or state laws applicable to this agreement.

Contractor specifically understands and acknowledges the applicability to it of the Americans with Disabilities Act, the Immigration Reform and Control Act of 1986, and the Drug Free Workplace Act of 1989. In addition, if this agreement pertains to construction, Contractor must also comply with A.R.S. § 34-301, as amended (Employment of Aliens on Public Works Prohibited) and A.R.S. § 34-302, as amended (Residence Requirements for Employees).

Under the provisions of A.R.S. § 41-4401, Contractor hereby warrants to the City that Contractor and each of its subcontractors ("Subcontractors") will comply with, and are contractually obligated to comply with, all Federal immigration laws and regulations that relate to their employees and A.R.S. § 23-214(A) (hereinafter, "Contractor Immigration Warranty").

A breach of the Contractor Immigration Warranty shall constitute a material breach of this agreement and shall subject Contractor to penalties up to and including termination of this agreement at the sole discretion of the City. The City may, at its sole discretion, conduct random verification of the employment records of Contractor and any Subcontractors to ensure compliance with the Contractor Immigration Warranty. Contractor agrees to assist the City in regard to any random verifications performed.

Neither Contractor nor any Subcontractor shall be deemed to have materially breached the Contractor Immigration Warranty if Contractor or the Subcontractor establishes that it has complied with the employment verification provisions prescribed by §§ 274A and 274B of the Federal Immigration and Nationality Act and the E-Verify requirements prescribed by A.R.S. § 23-214(A).

The provisions of this Paragraph must be included in any contract Contractor enters into with any Subcontractors who provide services under this agreement or any subcontract. "Services" is defined as furnishing labor, time or effort in the State of Arizona by a contractor or subcontractor. Services include construction or maintenance of any structure, building or transportation facility or improvement to real property.

Contractor warrants, for the term of this agreement and for six months thereafter, that it has fully complied with the requirements of the Immigration Reform and Control Act of 1986 and all related or similar legal authorities.



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### Materials Management Procurement

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This contract shall be governed by the City and Contractor shall have all remedies afforded each by the Uniform Commercial Code, as adopted in the State of Arizona, except as otherwise provided in this contract or in statutes pertaining specifically to the City. This contract shall be governed by the laws of the State of Arizona and suit pertaining to this contract may be brought only in courts in the State of Arizona.

This contract is subject to the provisions of ARS §38-511; the City may cancel this contract without penalty or further obligations by the City or any of its departments or agencies if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City or any of its departments or agencies, is at any time while the contract or any extension of the contract is in effect, an employee of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract.

4. **LEGAL REMEDIES:** All claims and controversies shall be subject to resolution according to the terms of the City of Peoria Procurement Code.
5. **CONTRACT:** The contract between the City and the Contractor shall consist of (1) the Solicitation, including instructions, all terms and conditions, specifications, scopes of work, attachments, and any amendments thereto, and (2) the offer submitted by the Vendor in response to the solicitation. In the event of a conflict in language between the Solicitation and the Offer, the provisions and requirements in the Solicitation shall govern. However, the City reserves the right to clarify, in writing, any contractual terms with the concurrence of the Contractor, and such written contract shall govern in case of conflict with the applicable requirements stated in the Solicitation or the Vendor's offer. The Solicitation shall govern in all other matters not affected by the written contract.
6. **CONTRACT AMENDMENTS:** This contract may be modified only by a written Contract Amendment (COP Form 217) signed by persons duly authorized to enter into contracts on behalf of the City and the Contractor.
7. **CONTRACT APPLICABILITY:** The Offeror shall substantially conform to the terms, conditions, specifications and other requirements found within the text of this specific Solicitation. All previous agreements, contracts, or other documents, which have been executed between the Offeror and the City are not applicable to this Solicitation or any resultant contract.
8. **PROVISIONS REQUIRED BY LAW:** Each and every provision of law and any clause required by law to be in the contract will be read and enforced as though it were included herein, and if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then upon the application of either party, the contract will forthwith be physically amended to make such insertion or correction.
9. **SEVERABILITY:** The provisions of this contract are severable to the extent that any provision or application held to be invalid shall not affect any other provision or application of the contract which may remain in effect without the invalid provision or application.
10. **RELATIONSHIP TO PARTIES:** It is clearly understood that each party will act in its individual capacity and not as an agent, employee, partner, joint venturer, or associate of the other. An employee or agent of one party shall not be deemed or construed to be the employee or agent of the other for any purpose whatsoever. The Contractor is advised that taxes or Social Security payments will not be withheld from any City payments issued hereunder and that the Contractor should make arrangements to directly pay such expenses, if any.
11. **INTERPRETATION-PAROL EVIDENCE:** This contract represents the entire agreement of the Parties with respect to its subject matter, and all previous agreements, whether oral or written, entered into prior to this contract are hereby revoked and superseded by this contract. No representations, warranties, inducements or oral agreements have been made by any of the Parties except as expressly set forth herein, or in any other contemporaneous written agreement executed for the purposes of carrying out the provisions of this contract. This contract may not be changed, modified or rescinded except as provided for herein, absent a written agreement signed by both Parties. Any attempt at oral modification of this contract shall be void and of no effect.
12. **NO DELEGATION OR ASSIGNMENT:** Contractor shall not delegate any duty under this Contract, and no right or interest in this Contract shall be assigned by Contractor to any successor entity or third party, including but not limited to an affiliated successor or purchaser of Contractor or its assets, without prior written permission of the City. The City, at its



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option, may cancel this Contract in the event Contractor undertakes a delegation or assignment without first obtaining the City's written approval. Contractor agrees and acknowledges that it would not be unreasonable for the City to decline to approve a delegation or assignment that results in a material change to the services provided under this Contract or an increased cost to the City.

13. **SUBCONTRACTS:** No subcontract shall be entered into by the contractor with any other party to furnish any of the material, service or construction specified herein without the advance written approval of the City. The prime contractor shall itemize all sub-contractors which shall be utilized on the project. Any substitution of sub-contractors by the prime contractor shall be approved by the City and any cost savings will be reduced from the prime contractor's bid amount. All subcontracts shall comply with Federal and State laws and regulations which are applicable to the services covered by the subcontract and shall include all the terms and conditions set forth herein which shall apply with equal force to the subcontract and if the Subcontractor were the Contractor referred to herein. The Contractor is responsible for contract performance whether or not Subcontractors are used.
14. **RIGHTS AND REMEDIES:** No provision in this document or in the vendor's offer shall be construed, expressly or by implication, as waiver by the City of any existing or future right and/or remedy available by law in the event of any claim of default or breach of contract. The failure of the City to insist upon the strict performance of any term or condition of the contract or to exercise or delay the exercise of any right or remedy provided in the contract, or by law, or the City's acceptance of and payment for materials or services, shall not release the Contractor from any responsibilities or obligations imposed by this contract or by law, and shall not be deemed a waiver of any right of the City to insist upon the strict performance of the Contract.
15. **INDEMNIFICATION:** To the fullest extent permitted by law, the Contractor shall defend, indemnify and hold harmless the City, its agents, representatives, officers, directors, officials and employees from and against all claims, damages, losses and expenses (including but not limited to attorney fees, court costs, and the cost of appellate proceedings), relating to, arising out of, or alleged to have resulted from the acts, errors, mistakes, omissions, work or services of the Contractor, its employees, agents, or any tier of subcontractors in the performance of this Contract. Contractor's duty to defend, hold harmless and indemnify the City, its agents, representatives, officers, directors, officials and employees shall arise in connection with any claim, damage, loss or expense that is attributable to bodily injury, sickness, disease, death, or injury to, impairment, or destruction of property including loss of use resulting therefrom, caused by any acts, errors, mistakes, omissions, work or services in the performance of this Contract including any employee of the Contractor or any tier of subcontractor or any other person for whose acts, errors, mistakes, omissions, work or services the Contractor may be legally liable.

The amount and type of insurance coverage requirements set forth herein will in no way be construed as limiting the scope of the indemnity in this paragraph.

16. **OVERCHARGES BY ANTITRUST VIOLATIONS:** The City maintains that, in practice, overcharges resulting from antitrust violations are borne by the purchaser. Therefore, to the extent permitted by law, the Contractor hereby assigns to the City any and all claims for such overcharges as to the goods and services used to fulfill the Contract.
17. **FORCE MAJEURE:** Except for payment for sums due, neither party shall be liable to the other nor deemed in default under this Contract if and to the extent that such party's performance of this Contract is prevented by reason of force Majeure. The term "*force majeure*" means an occurrence that is beyond the control of the party affected and occurs without its fault or negligence. Without limiting the foregoing, force majeure includes acts of God: acts of the public enemy; war; acts of terror, hate crimes affecting public order; riots; strikes; mobilization; labor disputes; civil disorders; fire; floods; lockouts, injunctions-intervention-acts, or failures or refusals to act by government authority; events or obstacles resulting from a governmental authority's response to the foregoing; and other similar occurrences beyond the control of the party declaring force majeure which such party is unable to prevent by exercising reasonable diligence. The force majeure shall be deemed to commence when the party declaring force majeure notifies the other party of the existence of the force majeure and shall be deemed to continue as long as the results or effects of the force majeure prevent the party from resuming performance in accordance with this Contract.

Force majeure shall not include the following occurrences:



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- a. Late delivery of equipment or materials caused by congestion at a manufacturer's plant or elsewhere, an oversold condition of the market, inefficiencies, or similar occurrences.
- b. Late performance by a subcontractor unless the delay arises out of a force majeure occurrence in accordance with this Force Majeure term and Condition.

Any delay or failure in performance by either party hereto shall not constitute default hereunder or give rise to any claim for damages or loss of anticipated profits if, and to the extent that such delay or failure is caused by force majeure. If either party is delayed at any time in the progress of the work by force majeure, then the delayed party shall notify the other party in writing of such delay within forty-eight (48) hours commencement thereof and shall specify the causes of such delay in such notice. Such notice shall be hand delivered or mailed *Certified-Return Receipt* and shall make a specific reference to this article, thereby invoking its provisions. The delayed party shall cause such delay to cease as soon as practicable and shall notify the other party in writing. The time of completion shall be extended by contract modification for a period of time equal to the time that the results or effects of such delay prevent the delayed party from performing in accordance with this contract.

18. **RIGHT TO ASSURANCE:** Whenever one party to this contract in good faith has reason to question the other party's intent to perform he may demand that the other party give a written assurance of this intent to perform. In the event that a demand is made and no written assurance is given within five (5) days, the demanding party may treat this failure as an anticipatory repudiation of the Contract.
19. **RIGHT TO AUDIT RECORDS:** The City may, at reasonable times and places, audit the books and records of any Contractor as related to any contract held with the City. This right to audit also empowers the City to inspect the papers of any Contractor or Subcontractor employee who works on this contract to ensure that the Contractor or Subcontractor is complying with the Contractor Immigration Warranty made pursuant to Paragraph 3 above.
20. **RIGHT TO INSPECT PLANT:** The City may, at reasonable times, inspect the part of the plant or place of business of a Contractor or Subcontractor which is related to the performance of any contract as awarded or to be awarded.
21. **WARRANTIES:** Contractor warrants that all material, service or construction delivered under this contract shall conform to the specifications of this contract. Unless otherwise stated in Contractor's response, the City is responsible for selecting items, their use, and the results obtained from any other items used with the items furnished under this contract. Mere receipt of shipment of the material/service specified and any inspection incidental thereto by the City shall not alter or affect the obligations of the Contractor or the rights of the City under the foregoing warranties. Additional warranty requirements may be set forth in the solicitation.
22. **INSPECTION:** All material and/or services are subject to final inspection and acceptance by the City. Materials and/or services failing to conform to the specifications of this Contract will be held at Contractor's risk and may be returned to the Contractor. If so returned, all costs are the responsibility of the Contractor. The City may elect to do any or all:
  - a. Waive the non-conformance.
  - b. Stop the work immediately.
  - c. Bring material into compliance.This shall be accomplished by a written determination for the City.
23. **TITLE AND RISK OF LOSS:** The title and risk of loss of material and/or service shall not pass to the City until the City actually receives the material or service at the point of delivery, unless otherwise provided within this Contract.
24. **NO REPLACEMENT OF DEFECTIVE TENDER:** Every tender of materials shall fully comply with all provisions of the Contract. If a tender is made which does not fully conform, this shall constitute a breach of the Contract as a whole.
25. **DEFAULT IN ONE INSTALLMENT TO CONSTITUTE TOTAL BREACH:** Contractor shall deliver conforming materials in each installment of lot of this Contract and may not substitute nonconforming materials. Delivery of nonconforming materials or a default of any nature, at the option of the City, shall constitute a breach of the Contract as a whole.



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26. **SHIPMENT UNDER RESERVATION PROHIBITED:** Contractor is not authorized to ship materials under reservation and no tender of a bill of lading will operate as a tender of the materials.
27. **LIENS:** All materials, service or construction shall be free of all liens, and if the City requests, a formal release of all liens shall be delivered to the City.
28. **LICENSES:** Contractor shall maintain in current status all Federal, State and Local licenses and permits required for the operation of the business conducted by the Contractor as applicable to this Contract.
29. **PATENTS AND COPYRIGHTS:** All services, information, computer program elements, reports and other deliverables, which may be patented or copyrighted and created under this contract are the property of the City and shall not be used or released by the Contractor or any other person except with the prior written permission of the City.
30. **PREPARATION OF SPECIFICATIONS BY PERSONS OTHER THAN CITY PERSONNEL:** All specifications shall seek to promote overall economy for the purposes intended and encourage competition and not be unduly restrictive in satisfying the City's needs. No person preparing specifications shall receive any direct or indirect benefit from the utilization of specifications, other than fees paid for the preparation of specifications.
31. **COST OF BID/PROPOSAL PREPARATION:** The City shall not reimburse the cost of developing presenting or providing any response to this solicitation. Offers submitted for consideration should be prepared simply and economically, providing adequate information in a straightforward and concise manner.
32. **PUBLIC RECORD:** All offers submitted in response to this solicitation shall become the property of the City and shall become a matter of public record available for review, subsequent to the award notification, in accordance with the City's Procurement Code. However, subsequent to the award of the contract, any information and documents obtained by the City during the course of an audit conducted in accordance with Paragraph 19 above for the purpose of determining compliance by Contractor or a Subcontractor with the Contractor Immigration Warranty mandated by Paragraph 3 above shall remain confidential and shall not be made available for public review or produced in response to a public records request, unless the City is ordered or otherwise directed to do so by a court of competent jurisdiction.
33. **ADVERTISING:** Contractor shall not advertise or publish information concerning this Contract, without prior written consent of the City.
34. **DELIVERY ORDERS:** The City shall issue a Purchase Order for the material and/or services covered by this contract. All such documents shall reference the contract number as indicated on the Offer and Contract Award (COP Form 203).
35. **FUNDING:** Any contract entered into by the City of Peoria is subject to funding availability. Fiscal years for the City of Peoria are July 1 to June 30. The City Council approves all budget requests. If a specific funding request is not approved, the contract shall be terminated.
36. **PAYMENT:** A separate invoice shall be issued for each shipment of material or service performed, and no payment will be issued prior to receipt of material and/or services and correct invoice.
37. **PROHIBITED LOBBYING ACTIVITIES:** The Offeror, his/her agent or representative shall not contact, orally or in any written form any City elected official or any City employee other than the Materials Management Division, the procuring department, City Manager, Deputy City Manager or City Attorney's office (for legal issues only) regarding the contents of this solicitation or the solicitation process commencing from receipt of a copy of this request for proposals and ending upon submission of a staff report for placement on a City Council agenda. The Materials Manager shall disqualify an Offeror's proposal for violation of this provision. This provision shall not prohibit an Offeror from petitioning an elected official after submission of a staff report for placement on a City Council agenda or engaging in any other protected first amendment activity after submission of a staff report for placement on a City Council agenda.
38. **PROHIBITED POLITICAL CONTRIBUTIONS:** Consultant during the term of this Agreement shall not make a contribution reportable under Title 16, Chapter 6, Article 1, Arizona Revised Statutes to a candidate or candidate committee for any city elective office during the term of this Agreement. The City reserves the right to terminate the Agreement without penalty for any violation of this provision.



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1. **Purpose:** Pursuant to provisions of the City Procurement Code, the City of Peoria, Materials Management Division intends to establish a contract for Investment Management Services.
2. **Authority:** This Solicitation as well as any resultant contract is issued under the authority of the City. No alteration of any resultant contract may be made without the express written approval of the City Materials Manager in the form of an official contract amendment. Any attempt to alter any contract without such approval is a violation of the contract and the City Procurement Code. Any such action is subject to the legal and contractual remedies available to the City inclusive of, but not limited to, contract cancellation, suspension and/or debarment of the contractor.
3. **Offer Acceptance Period:** In order to allow for an adequate evaluation, the City requires an offer in response to this Solicitation to be valid and irrevocable for ninety (90) days after the opening time and date.
4. **Cooperative Purchasing:** Any contract resulting from this solicitation shall be for the use of the City of Peoria. In addition, specific eligible political subdivisions and nonprofit educational or public health institutions may also participate at their discretion. In order to participate in any resultant contract, a political subdivision or nonprofit educational or public health institution must have been invited to participate in this specific solicitation and the contractor must be in agreement with the cooperative transaction. In addition to cooperative purchasing, any eligible agency may elect to participate (piggyback) on any resultant contract; the specific eligible political subdivision, nonprofit educational or public health institution and the contractor must be in agreement.  

Any orders placed to the successful contractor will be placed by the specific agencies participating in this purchase. Payment for purchases made under this agreement will be the sole responsibility of each participating agency. The City shall not be responsible for any disputes arising out of transactions made by others.
5. **Contract Type:** Fixed Price
6. **Term of Contract:** The term of any resultant contract shall commence on the first day of the month following the date of award and shall continue for a period of one (1) year thereafter, unless terminated, cancelled or extended as otherwise provided herein.
7. **Contract Extension:** By mutual written contract amendment, any resultant contract may be extended for supplemental periods of up to a maximum of forty-eight (48) months.
8. **Affirmative Action Report:** It is the policy of the City of Peoria that suppliers of goods or services to the City adhere to a policy of equal employment opportunity and demonstrate an affirmative effort to recruit, hire, and promote regardless of race, color, religion, gender, national origin, age or disability. The City of Peoria encourages diverse suppliers to respond to solicitations for products or services.
9. **Proposal Format:** Proposals shall be submitted in one (1) original and three (3) copies on the forms and in the format as contained in the Request for Proposal. Proposals shall be on 8 1/2" & 11" paper with the text on one side only. All submittal information must contain data for only the local office(s) which will be performing the work.
10. **Interview Guidelines:** During any requested interview, which would be scheduled in the future, be prepared to discuss your firm's proposal, staff assignments, project approach and other pertinent information. The presentation shall be approximately 30 minutes, allowing 15 minutes for a question and answer session.
11. **Evaluation:** In accordance with the City of Peoria Procurement Code, awards shall be made to the responsible offeror whose proposal is determined in writing to be the most advantageous to the City, based upon the evaluation criteria listed below. The evaluation factors are listed in their relative order of importance.
  - a. Organization Approach.
  - b. Staff Qualifications.
  - c. Firm Experience.
  - d. Investment Management Approach.
  - e. Reporting Capabilities.
  - f. Cost Considerations.
  - g. Conformance to Request for Proposal.



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The City reserves the right to consider historic information and facts, whether gained from the Offeror's proposal, questions and answer conferences, references, or other source and the views of the evaluator(s) with prior Contract or service delivery experience with any of the Offerors, while conducting the proposal evaluations.

12. **Price Adjustment:** The City of Peoria Purchasing Office will review fully documented requests for price increases after any contract has been in effect for one (1) year. Any price increase adjustment will only be made at the time of contract extension and will be a factor in the extension review process. The City of Peoria Materials Management Division will determine whether the requested price increase or an alternate option, is in the best interest of the City. Any price adjustment will be effective upon the effective date of the contract extension.
13. **Price Reduction:** A price reduction adjustment may be offered at any time during the term of a contract and shall become effective upon notice.
14. **Discussions:** In accordance with the City of Peoria Procurement Code, after the initial receipt of proposals, discussions may be conducted with offerors who submit proposals determined to be reasonably susceptible of being selected for award.
15. **Proposal Opening:** Proposals shall be submitted at the time and place designated in the request for proposals. All information contained in the proposals shall be deemed as exempt from public disclosure based on the City's need to avoid disclosure of contents prejudicial to competing offerors during the process of negotiation. The proposals shall not be open for public inspection until after contract award. PRICES SHALL NOT BE READ. After contract award, the successful proposal and the evaluation documentation shall be open for public inspection.
16. **Permits and Approvals:** Contractor agrees and undertakes to obtain necessary permits and approvals from all local, state and federal authorities for the project.
17. **Inspection:** All work shall be subject to inspection, surveillance, and test by the City at reasonable times during the performance. The Contractor shall provide and maintain an inspection system which is acceptable to the City.
18. **Investigation of Conditions:** The Contractor warrants and agrees familiarity of the work that is required, is satisfied as to the conditions under which is performed and enters into this contract based upon the Contractor's own investigation.
19. **Compensation:** Compensation for services shall be based upon fees negotiated, including all approved costs and expenses incurred in connection with the project; including but not limited to, telephone and other communications, reproduction of documents, special consultants (as approved by the City) and computer costs.
20. **Acceptance:** Determination of the acceptability of work shall be completed in a responsive and professional manner and in accordance with the specifications, schedules, or plans which are incorporated in the Scope of Work.
21. **Payments:** The City shall pay the Contractor monthly, based upon work performed and completion to date, and upon submission of invoices. All invoices shall document and itemize all work completed to date. The invoice statement shall include a record of time expended and work performed in sufficient detail to justify payment.
22. **Insurance Requirements:** The Contractor, at Contractor's own expense, shall purchase and maintain the herein stipulated minimum insurance with companies duly licensed, possessing a current A.M. Best, Inc. Rating of A-, or approved unlicensed in the State of Arizona with policies and forms satisfactory to the City.

All insurance required herein shall be maintained in full force and effect until all work or service required to be performed under the terms of the Contract is satisfactorily completed and formally accepted; failure to do so may, at the sole discretion of the City, constitute a material breach of this Contract.

The Contractor's insurance shall be primary insurance as respects the City, and any insurance or self-insurance maintained by the City shall not contribute to it.

Any failure to comply with the claim reporting provisions of the insurance policies or any breach of an insurance policy warranty shall not affect coverage afforded under the insurance policies to protect the City.



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The insurance policies, except Workers' Compensation, shall contain a waiver of transfer rights of recovery (subrogation) against the City, its agents, representatives, directors, officers, and employees for any claims arising out of the Contractor's acts, errors, mistakes, omissions, work or service.

The insurance policies may provide coverage which contain deductibles or self-insured retentions. Such deductible and/or self-insured retentions shall not be applicable with respect to the coverage provided to the City under such policies. The Contractor shall be solely responsible for the deductible and/or self-insured retention and the City, at its option, may require the Contractor to secure payment of such deductibles or self-insured retentions by a Surety Bond or an irrevocable and unconditional letter of credit.

The City reserves the right to request and to receive, within 10 working days, certified copies of any or all of the herein required insurance policies and endorsements. The City shall not be obligated, however, to review same or to advise Contractor of any deficiencies in such policies and endorsements, and such receipt shall not relieve Contractor from, or be deemed a waiver of the City's right to insist on, strict fulfillment of Contractor's obligations under this Contract.

The insurance policies, except Workers' Compensation and Professional Liability, required by this Contract, shall name the City, its agents, representatives, officers, directors, officials and employees as Additional Insureds.

### 23. Required Insurance Coverage:

#### a. Commercial General Liability

Contractor shall maintain Commercial General Liability insurance with a limit of not less than \$1,000,000 for each occurrence with a \$2,000,000 Products/Completed Operations Aggregate and a \$2,000,000 General Aggregate Limit. The policy shall include coverage for bodily injury, broad form property damage, personal injury, products and completed operations and blanket contractual coverage including, but not limited to, the liability assumed under the indemnification provisions of this Contract which coverage will be at least as broad as Insurance Service Office, Inc. Policy Form CG 00011207 or any replacements thereof. The coverage shall not exclude X, C, U.

Such policy shall contain a severability of interest provision, and shall not contain a sunset provision or commutation clause, nor any provision which would serve to limit third party action over claims.

The Commercial General Liability additional insured endorsement shall be at least as broad as the Insurance Service Office, Inc.'s Additional Insured, Form B, CG 20370704, and shall include coverage for Contractor's operations and products and completed operations.

Any Contractor subletting any part of the work, services or operations awarded to the Contractor shall purchase and maintain, at all times during prosecution of the work, services or operations under this Contract, an Owner's and Contractor's Protective Liability insurance policy for bodily injury and property damage, including death, which may arise in the prosecution of the Contractor's work, service or operations under this Contract. Coverage shall be on an occurrence basis with a limit not less than \$1,000,000 per occurrence, and the policy shall be issued by the same insurance company that issues the Contractor's Commercial General Liability insurance.

#### b. Automobile Liability

Contractor shall maintain Commercial/Business Automobile Liability insurance with a combined single limit for bodily injury and property damage of not less than \$1,000,000 each occurrence with respect to the Contractor's any owned, hired, and non-owned vehicles assigned to or used in performance of the Contractor's work. Coverage will be at least as broad as coverage code 1, "any auto", (Insurance Service Office, Inc. Policy Form CA 00010306, or any replacements thereof). Such insurance shall include coverage for loading and off loading hazards. If hazardous substances, materials or wastes are to be transported, MCS 90 endorsement shall be included and \$5,000,000 per accident limits for bodily injury and property damage shall apply.

#### c. Workers' Compensation

The Contractor shall carry Workers' Compensation insurance to cover obligations imposed by federal and state statutes having jurisdiction of Contractor's employees engaged in the performance of the work or services; and, Employer's



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Liability insurance of not less than \$100,000 for each accident, \$100,000 disease for each employee, and \$500,000 disease policy limit.

In case any work is subcontracted, the Contractor will require the Subcontractor to provide Workers' Compensation and Employer's Liability to at least the same extent as required of the Contractor.

d. **Professional Liability**

The Contractor retained by the City to provide the work or service required by this Contract will maintain Professional Liability insurance covering acts, errors, mistakes and omissions arising out of the work or services performed by the Contractor, or any person employed by the Contractor, with a limit of not less than \$1,000,000 each claim.

24. **Certificates of Insurance:** Prior to commencing work or services under this Contract, Contractor shall furnish the City with Certificates of Insurance, and formal endorsements as required by the Contract, issued by Contractor's insurer(s), as evidence that policies providing the required coverages, conditions and limits required by this Contract are in full force and effect.

In the event any insurance policy(ies) required by this contract is(are) written on a "Claims made" basis, coverage shall extend for two years past completion and acceptance of the Contractor's work or services and as evidenced by annual Certificates of Insurance.

If a policy does expire during the life of the Contract, a renewal certificate must be sent to the City fifteen (15) days prior to the expiration date.

All Certificates of Insurance shall be identified with bid serial number and title. A \$25.00 administrative fee will be assessed for all certificates received without the appropriate bid serial number and title.

25. **Cancellation and Expiration Notice:** Insurance required herein shall not expire, be canceled, or materially changed without thirty (30) days prior written notice to the City.

26. **Independent Contractor:**

a. **General**

- i. The Contractor acknowledges that all services provided under this Agreement are being provided by him as an independent contractor, not as an employee or agent of the City Manager or the City of Peoria.
- ii. Both parties agree that this Agreement is nonexclusive and that Contractor is not prohibited from entering into other contracts nor prohibited from practicing his profession elsewhere.

b. **Liability**

- i. The City of Peoria shall not be liable for any acts of Contractor outside the scope of authority granted under this Agreement or as the result of Contractor's acts, errors, misconduct, negligence, omissions and intentional acts.
- ii. To the fullest extent permitted by law, the Contractor shall defend, indemnify and hold harmless the City, its agents, representatives, officers, directors, officials and employees from and against all claims, damages, losses and expenses (including but not limited to attorney fees, court costs, and the cost of appellate proceedings), relating to, arising out of, or alleged to have resulted from the acts, errors, mistakes, omissions, work or services of the Contractor, its employees, agents, or any tier of subcontractors in the performance of this Contract. Contractor's duty to defend, hold harmless and indemnify the City, its agents, representatives, officers, directors, officials and employees shall arise in connection with any claim, damage, loss or expense that is attributable to bodily injury, sickness, disease, death, or injury to, impairment, or destruction of property including loss of use resulting therefrom, caused by any acts, errors, mistakes, omissions, work or services in the performance of this Contract including any employee of the Contractor or any tier of subcontractor or any other person for whose acts, errors, mistakes, omissions, work or services the Contractor may be legally liable.

The amount and type of insurance coverage requirements set forth herein will in no way be construed as limiting the scope of the indemnity in this paragraph.



## SPECIAL TERMS AND CONDITIONS

Solicitation Number: P12-0046

**Materials Management  
Procurement**  
9875 N. 85<sup>th</sup> Ave., 2<sup>nd</sup> Fl.  
Peoria, Arizona 85345-6560  
Phone: (623) 773-7115  
Fax: (623) 773-7118

c. **Other Benefits**

The Contractor is an independent contractor, therefore, the City Manager will not provide the Contractor with health insurance, life insurance, workmen's compensation, sick leave, vacation leave, or any other fringe benefits. Further, Contractor acknowledges that he is exempt from coverage of the Comprehensive Benefit and Retirement Act (COBRA). Any such fringe benefits shall be the sole responsibility of Contractor.

27. **Key Personnel:** It is essential that the Contractor provide adequate experienced personnel, capable of and devoted to the successful accomplishment of work to be performed under this contract. The Contractor must agree to assign specific individuals to the key positions.
- The Contractor agrees that, once assigned to work under this contract, key personnel shall not be removed or replaced without written notice to the City.
  - If key personnel are not available for work under this contract for a continuous period exceeding 30 calendar days, or are expected to devote substantially less effort to the work than initially anticipated, the Contractor shall immediately notify the City, and shall, subject to the concurrence of the City, replace such personnel with personnel of substantially equal ability and qualifications.
28. **Estimated Quantities:** The City anticipates considerable activity resulting from contracts that will be awarded as a result of this solicitation; however, no commitment of any kind is made concerning quantities actually acquired and that fact should be taken into consideration by each potential contractor.
29. **Confidential Information:**
- If a person believes that a bid, proposal, offer, specification, or protest contains information that should be withheld, a statement advising the Materials Supervisor of this fact shall accompany the submission and the information shall be identified.
  - The information identified by the person as confidential shall not be disclosed until the Materials Supervisor makes a written determination.
  - The Materials Supervisor shall review the statement and information and shall determine in writing whether the information shall be withheld.
  - If the Materials Supervisor determines to disclose the information, the Materials Supervisor shall inform the bidder in writing of such determination.
30. **Confidentiality of Records:** The contractor shall establish and maintain procedures and controls that are acceptable to the City for the purpose of assuring that information contained in its records or obtained from the City or from others in carrying out its functions under the contract shall not be used or disclosed by it, its agents, officers, or employees, except as required to efficiently perform duties under the contract. Persons requesting such information should be referred to the City. Contractor also agrees that any information pertaining to individual persons shall not be divulged other than to employees or officers of contractor as needed for the performance of duties under the contract.
31. **Identity Theft Prevention:** The Contractor shall establish and maintain Identity Theft policies, procedures and controls for the purpose of assuring that "personal identifying information," as defined by A.R.S. § 13-2001(10), as amended, contained in its records or obtained from the City or from others in carrying out its responsibilities under the Contract, is protected at all times and shall not be used by or disclosed to unauthorized persons. Persons requesting such information should be referred to the City. Contractor also agrees that any "personal identifying information" shall not be disclosed other than to employees or officers of Contractor as needed for the performance of duties under the Contract. Contractor agrees to maintain reasonable policies and procedures designed to detect, prevent and mitigate the risk of identity theft. Contractor is required under this contract to review the City of Peoria's Identity Theft Program and to report to the Program Administrator any Red Flags as defined within that program. At a minimum, the contractor will have the following Identity Theft procedures in place:



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- a. Solicit and retain only the "personal identifying information" minimally necessary for business purposes related to performance of the Contract.
  - b. Ensure that any website used in the performance of the contract is secure. If a website that is not secure is to be used, the City shall be notified in advance before any information is posted. The City reserves the right to restrict the use of any non-secure websites under this contract.
  - c. Ensure complete and secure destruction of any and all paper documents and computer files at the end of the contracts retention requirements.
  - d. Ensure that office computers are password protected and that computer screens lock after a set period of time.
  - e. Ensure that offices and workspaces containing customer information are secure.
  - f. Ensure that computer virus protection is up to date
32. **Ordering Process:** Upon award of a contract by the City of Peoria, Materials Management Division may procure the specific material and/or service awarded by the issuance of a purchase order to the appropriate contractor. The award of a contract shall be in accordance with the City of Peoria Procurement Code and all transactions and procedures required by the Code for public bidding have been complied with. A purchase order for the awarded material and/or service that cites the correct contract number is the only document required for the department to order and the contractor to deliver the material and/or service.
- Any attempt to represent any material and/or service not specifically awarded as being under contract with the City of Peoria is a violation of the contract and the City of Peoria Procurement Code. Any such action is subject to the legal and contractual remedies available to the City inclusive of, but not limited to, contract cancellation, suspension and/or debarment of the contractor.
33. **Billing:** All billing notices to the City shall identify the specific item(s) being billed and the purchase order number. Items are to be identified by the name, model number, and/or serial number most applicable. Any purchase/delivery order issued by the requesting agency shall refer to the contract number resulting from this solicitation.
34. **Licenses:** Contractor shall maintain in current status all Federal, State and Local licenses and permits required for the operation of the business conducted by the Contractor.
35. **Cancellation:** The City reserves the right to cancel the whole or any part of this contract due to failure by the contractor to carry out any obligation, term or condition of the contract. The City will issue written notice to the contractor for acting or failing to act as in any of the following:
- a. The contractor provides material that does not meet the specifications of the contract;
  - b. The contractor fails to adequately perform the services set forth in the specifications of the contract;
  - c. The contractor fails to complete the work required or to furnish the materials required within the time stipulated in the contract;
  - d. The contractor fails to make progress in the performance of the contract and/or gives the City reason to believe that the contractor will not or cannot perform to the requirements of the contract.
- Upon receipt of the written notice of concern, the contractor shall have ten (10) days to provide a satisfactory response to the City. Failure on the part of the contractor to adequately address all issues of concern may result in the City resorting to any single or combination of the following remedies:
- a. Cancel any contract;
  - b. Reserve all rights or claims to damage for breach of any covenants of the contract;
  - c. Perform any test or analysis on materials for compliance with the specifications of the contract. If the results of any test or analysis find a material non-compliant with the specifications, the actual expense of testing shall be borne by the contractor;



## SPECIAL TERMS AND CONDITIONS

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- d. In case of default, the City reserves the right to purchase materials, or to complete the required work in accordance with the City Procurement Code. The City may recover any actual excess costs from the contractor by:
- i. Deduction from an unpaid balance;
  - ii. Any combination of the above or any other remedies as provided by law.

36. **Project Travel Reimbursable Expenses:** If travel expenses are allowed as part of the contract the reimbursable expenses will be as follows. All expenses will be billed to the City at cost without markup. Copies of bills for expenses are to be submitted with the invoice. Travel time to and from job site is excluded from this contract. There will be no allowances for parking or personal car mileage. No incidentals for travel of any kind are allowed under this contract.

The following is a list of allowable travel expenses under this contract agreement:

- a. Transportation:
  - i. Air Transportation – coach class fares, minimum 14 days advanced purchase, unless otherwise agreed upon.
  - ii. Car Rental – mid size car, gas for rental car (City assumes no liability regarding additional insurance costs).
- b. Lodging and Meals:
  - i. Meals – three meals per day, at the current federal per diem rate for Maricopa County.
  - ii. Lodging – not to exceed the current federal rate for Maricopa County. Vendors are encouraged to stay in hotels located within the City of Peoria when practical. A listing of accommodations within Peoria can be found on the following website: <http://visitpeoriaaz.com/accommodations.php>



## SCOPE OF WORK

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### I. INTRODUCTION:

#### A. Background:

The City of Peoria is seeking proposals from investment management firms to provide portfolio management services for government operating and capital funds (non-pension funds). All investment management firms responding to this Request for Proposal must be a registered Investment Advisor as defined and regulated by the Securities and Exchange Commission (SEC). The selected firm will manage the City's investment portfolio as determined by the Chief Financial Officer.

The City of Peoria is located in the northwestern portion of the Phoenix metropolitan area and encompasses an area of approximately 179 square miles. The City is situated in the central portion of Maricopa County and Peoria's Charter, adopted in 1954, provides for a Council-Manager form of government. The City Council consists of a Mayor and six Council Members which are elected through a district system.

The City provides a full range of municipal services including general government, public safety (police and fire), streets, parks and recreation, planning and zoning, code enforcement, solid waste collection, and water and wastewater utilities.

The Chief Financial Officer, as the City's Investment Officer, is responsible for the investment and management activities of all public funds held by the City. As of December 31, 2011, the City's portfolio including all funds and component units totals \$330 million. At June 30, 2011, the City's investment portfolio was valued at \$315 million. The current investment portfolio is mainly comprised of U.S. Treasuries and U.S. Agency securities. (See Attachment A, Securities Holdings Report.)

The City currently utilizes a form of discretionary management with an outside investment management firm. The external investment management firm manages the City's funds within the constraints of Peoria's Investment Policy and Portfolio Policies, the City's cash flow needs and special requirements, and the City's contract with the investment management firm. Designated City staff actively participate in the investment decision making process and work closely with the investment management firm to determine the most appropriate method of investing the City's funds. All security transactions, including collateral for repurchase agreements, entered into by the City must be conducted on a delivery versus payment basis. All securities must be held by a third-party custodian designated by the Chief Financial Officer, and must adhere to the procedures as outlined in the City of Peoria Investment and Portfolio Policies.

Investment practices and procedures must comply with Title 35, Chapter 2, Arizona Revised Statutes (copy available at [www.azleg.state.az.us/ArizonaRevisedStatutes.asp](http://www.azleg.state.az.us/ArizonaRevisedStatutes.asp)) and the City of Peoria's written investment policies (Attachment B). Firms responding to this Request for



## SCOPE OF WORK

Solicitation Number: P12-0046

### Materials Management Procurement

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Proposals are invited to suggest changes that might be appropriate in the investment policies that would govern the segment of the portfolio to be managed externally.

## II. PROPOSAL REQUIREMENTS:

In order to facilitate comparisons between respondents, proposers should format responses to this request in the following order. Responses should be limited to one page per question with the exception of requested documentation and certification/licensing information.

### A. Organization Approach:

1. Describe your organization, date founded, ownership, and any other business relationships or relationships with any financial institutions. (Please provide the number and location of affiliated offices).
2. Describe your firm's revenue sources (e.g., investment management, institutional research, etc.) and comment on your firm's financial condition.
3. Describe your client base and indicate the percentage of public sector clients within that customer base.
4. How are public sector accounts managed within your firm. Indicate whether a team or individual approach is utilized.
5. Describe any SEC censure or litigation, or any legal proceeding with a regulatory agency, involving your firm at any time. Include any pending or probable incidents with any regulatory agency involving your firm during the past 3 years.
6. Describe your firm's fixed income research capabilities and resources. Does your firm assign credit research to specialists? Who would be assigned to the City's account?
7. Describe your firm's review process for assuring compliance of client's policies and guidelines.
8. Provide a copy of your firm's Uniform Application for Investment Advisor Registration (ADV) Parts I and II, as on file with the Securities and Exchange Commission (SEC).
9. Describe whether the firm has the capability to allow access to portfolio status via the internet either currently or in the future.
10. Describe whether the firm has the capability to provide performance reports to the City through an electronic medium.



## SCOPE OF WORK

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11. An investment report is provided to the City Council on a quarterly basis. Provide a sample report prepared by your firm.
12. Describe the training and educational services that your firm would provide and your firm's experience in this area. Include credentials of the individual(s) providing this assistance.
13. Explain why accounts, if any, have left your firm in the past 3 years.

### **B. Staff Qualifications:**

1. Identify the number of professionals (portfolio managers, analysts and researchers) employed by your firm, by classification and specify the average number of accounts handled by the portfolio managers. Are there any established limits on accounts or assets under management? If used, how is a team approach implemented?
2. Within your firm, identify the number of key personnel committed to public sector accounts, and their credentials.
3. Provide biographies on investment professionals within your firm that will be involved in the decision making process for the City's portfolio. Include education, certification, and licensing information for those individuals.
4. Describe any known investigations or complaints regarding a team member from your firm or any broker your firm utilizes.
5. Describe your firm's efforts to keep portfolio managers informed of developments relevant to public sector investment managers.
6. State whether there has been any turnovers or additions of key personnel within your firm in the past 12 months.
7. Describe your firm's compensation policies for investment professionals.

### **C. Firm Experience:**

1. Describe your firm's experience in serving as investment management advisor for municipalities and other public entities. Include the dollar value of assets your firm has under management for other municipalities, the number of municipalities or other public sector clients included, length of time have they have been clients, and your total assets under management.



## SCOPE OF WORK

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2. List the ten largest (or most representative) public sector clients of the investment team to be assigned to the City's account and the length of time they have been clients.
3. Describe the management style of your firm in working with public sector clients, and how specific securities and market sectors are selected.
4. Provide a published example of your firm's view of interest rates and/or market information.
5. Provide data of account/asset growth and other performance statistics over a 5 year period for a portfolio managed by your firm which is similar in size and structure to the City's investment portfolio. Identify major investment criteria, annual returns, and benchmarks.
6. Describe any compensation received by your firm for the use of specific brokers/dealers. What is your policy regarding the use of financial institutions associated with your firm?
7. Describe your firm's approach to managing relationships with the broker/dealer community.
8. Describe any assistance your firm would provide in reviewing depository and safekeeping agreements, and your firm's experience in this area. Include credentials of the individual(s) providing this assistance.

### **D. Investment Management Approach:**

1. Describe your firm's approach to fulfilling the requirements of this RFP.
2. Describe how your firm organizes its investment management process. What oversight is provided to portfolio managers? What controls are suggested for management?
3. What are the primary strategies for adding value to portfolios (e.g., market timing, credit research, trading)?
4. Describe how you would ensure that your team understands the investment objectives and constraints for this account.
5. Describe the daily procedures for portfolio review, investment management, and client contact.
6. What would your firm require from the City in terms of cash flows and the cash forecasting process, and how would you assist the City in this process?



## SCOPE OF WORK

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7. How frequently would you suggest staff from your firm meet with city staff? Who will attend the briefings?
8. What type of training does your firm have planned for the assigned investment team over the next 3 year period?
9. Describe the trade process you anticipate.
10. Describe your firm's policy on soft dollar arrangements.

### **E. Reporting Capabilities:**

1. Describe the frequency, timeliness, and format of reports that would be provided to City staff. Provide sample reports and include methods and formulas used to calculate yield and performance.
2. Describe the types of benchmarks which would be included with the performance reports.
3. What type of billing statements does your firm provides to clients? How long after the end of each quarter are they mailed? Provide sample statements.
4. Describe the type of portfolio record keeping system used by your firm. How frequently is the data backed up? Is data stored on a mainframe or stand alone system? Is the software used by your firm proprietary? How long has the software been in place?
5. Is your system owned or leased?
6. Describe your system security features designed to control access to client data.
7. Describe the quality control procedures your firm has in place. What types of reconciliation and editing do you perform? How do you resolve data discrepancies?

### **F. Fees:**

1. Provide a copy of your firm's fee schedule.
  - a. Include hourly rates for consultant fees for special projects.
  - b. Indicate if there is a minimum annual fee.
  - c. Describe what expenses would be covered through the fee structure.
  - d. Identify any fees that would be deducted from investment earnings.



## SCOPE OF WORK

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- e. Identify any additional or miscellaneous fees that would not be covered through this fee structure that would be required in order to implement the firm's program.
2. Are fees charged when there is no activity in the account?
3. Provide details of any revenue sharing, finder's fees, expense reduction, or other arrangements which may be derived from directing the investment of client's funds. Will these be allocated to offset the fees to expenses payable by (the entity)?
4. Please provide a quarterly fee and the calculations used to determine that fee based on the portfolio of approximately \$330 million included as Attachment A.

### **G. References:**

1. Provide three (3) municipal or public agency references, including the length of time your firm has managed their assets, client name, contact personnel, address and phone number.
2. Provide three (3) non-management public references regarding your firm's training and consulting services.



# ATTACHMENT A

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City of Peoria  
Security Holdings  
As of 12/31/2011

CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Par Value	Purch Price	Book Value	Market Value
---	---	MMF	Money Market Funds			30,671,406.14	100.000	30,671,406.14	30,671,406.14
313588RY3	07/29/11	AGCY DISCO	FNMA		01/18/12	10,000,000.00	99.894	9,998,961.10	10,000,000.00
36959HB97	08/12/11	CP - DISC	GE Capital Corp		02/09/12	8,000,000.00	99.879	7,997,920.00	7,999,112.00
89233GBA3	08/16/11	CP - DISC	Toyota Mtr Cr		02/10/12	5,000,000.00	99.822	4,998,000.00	4,999,490.00
89233GBH8	06/29/11	CP - DISC	Toyota Mtr Cr		02/17/12	6,000,000.00	99.748	5,996,944.98	5,999,118.00
36959HC70	08/30/11	CP - DISC	GE Capital Corp		03/07/12	8,000,000.00	99.836	7,995,453.36	7,997,912.00
36959HDC8	09/23/11	CP - DISC	GE Capital Corp		04/12/12	5,000,000.00	99.809	4,995,183.35	4,996,280.00
3024A0DL6	10/24/11	CP - DISC	FCAR Owner Trust		04/20/12	8,000,000.00	99.776	7,989,000.00	7,994,576.00
89233GEV4	09/02/11	CP - DISC	Toyota Mtr Cr		05/29/12	10,000,000.00	99.618	9,978,891.70	9,982,080.00
3024A0FE0	11/18/11	CP - DISC	FCAR Owner Trust		06/14/12	2,500,000.00	99.710	2,494,270.83	2,495,042.50
3137EACC1	05/17/11	AGCY BULET	FHLMC	1.750	06/15/12	6,000,000.00	101.603	6,040,685.76	6,044,400.00
912828KX7	03/23/11	TREAS NOTE	U.S. Treasury	1.875	06/15/12	10,000,000.00	101.848	10,068,187.80	10,082,000.00
31398AP71	05/24/11	AGCY BULET	FNMA	1.250	06/22/12	12,000,000.00	101.065	12,056,369.28	12,063,600.00
36959HFU6	12/12/11	CP - DISC	GE Capital Corp		06/28/12	8,000,000.00	99.790	7,984,884.48	7,983,600.00
3024A0H65	11/10/11	CP - DISC	FCAR Owner Trust		08/06/12	10,000,000.00	99.550	9,963,666.70	9,962,890.00
313374U24	07/26/11	AGCY CALL	FHLB	0.330	08/10/12	5,000,000.00	99.998	4,999,926.95	5,000,000.00
31331JY56	09/23/11	AGCY BULET	FFCB	0.400	11/02/12	5,000,000.00	100.173	5,006,527.85	5,006,000.00
313376HQ1	12/20/11	AGCY BULET	FHLB	0.210	12/10/12	6,000,000.00	100.016	6,000,947.28	5,997,000.00
3137EACQ0	12/20/11	AGCY BULET	FHLMC	0.625	12/28/12	9,580,000.00	100.438	9,620,689.23	9,617,362.00
31331KGC8	05/26/11	AGCY CALL	FFCB	0.840	04/04/13	10,000,000.00	100.258	10,007,786.10	10,014,000.00
3133702W7	08/23/10	AGCY CALL	FHLB	1.400	07/12/13	5,000,000.00	101.103	5,001,218.60	5,001,500.00
3134G2SQ6	07/26/11	AGCY STEP	FHLMC	0.400	07/26/13	10,000,000.00	100.000	10,000,000.00	9,995,000.00
31331KXS4	09/06/11	AGCY CALL	FFCB	0.470	09/06/13	10,000,000.00	99.925	9,993,693.40	9,999,000.00
3136FPGA9	10/19/11	AGCY CALL	FNMA	1.000	09/20/13	8,000,000.00	100.558	8,034,940.64	8,002,400.00
3134G2L34	09/30/11	AGCY CALL	FHLMC	0.550	09/30/13	10,000,000.00	99.960	9,996,503.40	9,992,000.00
3135G0EU3	10/25/11	AGCY CALL	FNMA	0.625	10/25/13	8,000,000.00	100.000	8,000,000.00	8,006,400.00
3135G0FS7	11/29/11	AGCY CALL	FNMA	0.600	11/21/13	5,000,000.00	99.850	4,992,835.20	4,996,500.00
3136FP6Y8	08/26/11	AGCY STEP	FNMA	0.750	02/14/14	8,000,000.00	100.116	8,002,375.20	8,005,600.00
3136FRLZ4	05/23/11	AGCY CALL	FNMA	1.250	05/23/14	8,225,000.00	99.980	8,223,682.19	8,251,320.00
3133XU3P6	06/03/11	AGCY STEP	FHLB	5.000	07/17/14	2,600,000.00	101.024	2,601,902.42	2,601,820.00
3134G2H39	09/29/11	AGCY CALL	FHLMC	0.800	09/29/14	6,955,000.00	100.000	6,955,000.00	6,944,567.50
3135G0EM1	11/07/11	AGCY CALL	FNMA	1.000	11/07/14	5,000,000.00	100.000	5,000,000.00	5,013,000.00
3134G3BL3	12/05/11	AGCY CALL	FHLMC	1.000	12/05/14	5,000,000.00	100.000	5,000,000.00	5,005,500.00
3133XW4A4	08/26/11	AGCY STEP	FHLB	2.000	12/24/14	4,800,000.00	102.049	4,872,696.48	4,858,080.00
313373BT8	05/10/11	AGCY CALL	FHLB	2.000	04/20/15	8,000,000.00	100.561	8,014,441.44	8,028,800.00
Total for General Portfolio:						279,331,406.14		279,554,991.86	279,607,356.14



# ATTACHMENT A

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CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Par Value	Purch Price	Book Value	Market Value
912828NB2	04/13/11	TREAS NOTE	U.S. Treasury	1.000	04/30/12	1,500,000.00	100.727	1,503,434.75	1,504,650.00
3024A0AT2	08/12/11	CP - DISC	FCAR Owner Trust		01/27/12	4,000,000.00	99.813	3,998,844.44	3,999,732.00
89233GBH8	06/29/11	CP - DISC	Toyota Mtr Cr		02/17/12	2,000,000.00	99.748	1,998,981.66	1,999,706.00
3024A0DL6	10/24/11	CP - DISC	FCAR Owner Trust		04/20/12	2,000,000.00	99.776	1,997,250.00	1,998,644.00
912828NB2	04/13/11	TREAS NOTE	U.S. Treasury	1.000	04/30/12	4,000,000.00	100.727	4,009,159.32	4,012,400.00
313376HQ1	12/20/11	AGCY BULET	FHLB	0.210	12/10/12	2,000,000.00	100.016	2,000,315.76	1,999,000.00
89233GBH8	05/26/11	CP - DISC	Toyota Mtr Cr		02/17/12	4,000,000.00	99.763	3,998,328.88	3,999,412.00
31398AP71	05/24/11	AGCY BULET	FNMA	1.250	06/22/12	3,000,000.00	101.065	3,014,092.32	3,015,900.00
89233GJ49	12/12/11	CP - DISC	Toyota Mtr Cr		09/04/12	2,000,000.00	99.481	1,990,394.44	1,989,942.00
3134G2TR3	07/29/11	AGCY STEP	FHLMC	0.450	07/26/13	500,000.00	100.000	500,000.00	499,650.00
3135G0FP3	11/15/11	AGCY CALL	FNMA	0.550	11/15/13	500,000.00	99.990	499,953.18	499,650.00
3134G2H39	09/29/11	AGCY CALL	FHLMC	0.800	09/29/14	1,050,000.00	100.000	1,050,000.00	1,048,425.00
313374U24	07/26/11	AGCY CALL	FHLB	0.330	08/10/12	1,000,000.00	99.998	999,985.39	1,000,000.00
3134G2TR3	07/29/11	AGCY STEP	FHLMC	0.450	07/26/13	500,000.00	100.000	500,000.00	499,650.00
3135G0FP3	11/15/11	AGCY CALL	FNMA	0.550	11/15/13	500,000.00	99.990	499,953.18	499,650.00
3134G2H39	09/29/11	AGCY CALL	FHLMC	0.800	09/29/14	350,000.00	100.000	350,000.00	349,475.00
912828NB2	04/13/11	TREAS NOTE	U.S. Treasury	1.000	04/30/12	3,000,000.00	100.727	3,006,869.49	3,009,300.00
3024A0FE0	11/18/11	CP - DISC	FCAR Owner Trust		06/14/12	2,500,000.00	99.710	2,494,270.83	2,495,042.50
313374U24	07/26/11	AGCY CALL	FHLB	0.330	08/10/12	2,500,000.00	99.998	2,499,963.48	2,500,000.00
313376ML6	12/28/11	AGCY CALL	FHLB	0.250	12/28/12	2,000,000.00	100.000	2,000,000.00	1,999,600.00
<b>Total Bond Proceeds:</b>						<b>50,496,630.67</b>		<b>50,508,427.79</b>	<b>50,516,459.17</b>
<b>Total Funds:</b>						<b><u>329,828,036.81</u></b>		<b><u>330,063,419.65</u></b>	<b><u>330,123,815.31</u></b>



## ATTACHMENT B

Solicitation Number: P12-0046

### Materials Management Procurement

9875 N. 85<sup>th</sup> Ave., 2<sup>nd</sup> Fl.  
Peoria, Arizona 85345-6560  
Phone: (623) 773-7115  
Fax: (623) 773-7118

### City of Peoria, Arizona Investment and Portfolio Policies

#### 1.0 Policy:

It is the policy of the City of Peoria to invest public funds with maximum security in a manner which will provide the highest reasonable investment return while meeting the daily cash flow demands of the City and conforming to all applicable State and Local statutes governing the investment of public funds.

#### 2.0 Scope:

This investment policy applies to all financial assets and funds held by the City of Peoria. These funds are accounted for in the City of Peoria, Arizona, Comprehensive Annual Financial Report and include:

#### 2.1 Funds:

- 2.1.1 General Funds
- 2.1.2 Special Revenue Funds
- 2.1.3 Capital Project Funds
- 2.1.4 Enterprise Funds
- 2.1.5 Debt Service Funds
- 2.1.6 Trust and Agency Funds
- 2.1.7 Any new funds created by the City, unless specifically exempted.

#### 3.0 Objectives:

The primary objective, in priority order, of the City of Peoria investment activities shall be:

- 3.1 Safety. Safety of principal is the foremost objective of the City of Peoria. Investments of the City shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.
- 3.2 Liquidity. The City of Peoria investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. The liquidity requirements will be based on regularly updated cash flow analysis.



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3.3 Diversification. To attain the City's objectives, diversification is required in the portfolio composition. Diversification of the portfolio will include diversification by maturity and market sector and will include the use of a number of broker/dealers for competitive market coverage. Competitive bidding will be used on each sale and purchase.

3.4 Yield. The City of Peoria investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's very strict risk constraints and based on regularly updated cash flow characteristics of the portfolio.

#### 4.0 Delegation of Authority:

4.1 The Chief Financial Officer is designated as Investment Officer of the City and is responsible for investment decisions and activities, under the direction of the City Manager. The Deputy Director of Management Services, Revenue Manager, Treasury Manager and Accountant are hereby designated Deputy Investment Officers. Investment advisers contracted by the City serve as designated Investment Officers. All designated Officers will comply with provisions of the Policy.

4.2 The Chief Financial Officer shall develop and maintain written administrative procedures for the operation of the investment program, consistent with this Policy. These written procedures are to be reviewed and verified annually. The procedures should include the following areas: safekeeping procedures, Public Security Association Master Repurchase Agreements, wire transfer agreements, trade document initialization and retention requirements, collateral/deposit agreements, and banking service and supplemental banking contracts.

4.3. No officer or adviser may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Chief Financial Officer and approved by the City Manager.

4.4 The Chief Financial Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

#### 5.0 Prudence:

5.1 The standard of prudence to be used by all Investment Officers shall be the "prudent person" standard and shall be applied in the context of management of the overall



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**Materials Management  
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portfolio. The "prudent person" standard states that: *Investments shall be made with judgment and care, under circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.*

- 5.2 The Investment Officer, acting in accordance with written policies and procedures and exercising due diligence, shall not be held personally liable for a specific security's credit risk or market price changes, provided that any deviations are reported in a timely manner and that appropriate action is taken to control adverse developments.
- 5.3 Investment Officers shall refrain from personal business activity that could conflict with the proper execution of the investment program or could impair their judgment to make impartial investment decisions. Any material business relationship with financial institutions or counter-parties shall be disclosed to the City Manager.

### 6.0 Internal Controls:

All written administrative and internal controls will be reviewed annually with the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes or imprudent actions of employees of the City of Peoria or investment counter-parties.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability. The City shall maintain a comprehensive cash management program that includes collection of accounts receivable, prudent investment of its assets, disbursement of payments in accordance with invoice terms and the management of banking services.

### 7.0 Authorized and Suitable Investments:

City funds may be invested in:

- 7.1 Obligations of the United States Government, its agencies and instrumentalities with a maximum maturity of five years;
- 7.2 Fully insured or collateralized certificates of deposit and other evidence of deposit at banks and savings institutions doing business within Arizona with a maximum



## ATTACHMENT B

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### Materials Management Procurement

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maturity of six months;

- 7.3 Banker's Acceptances eligible as collateral for borrowing from the Federal Reserve, of U.S. banks whose short-term obligations are rated Aa or better by two nationally recognized rating agencies, and with a maximum maturity of 180 days;
- 7.4 Commercial paper rated A-1/P-1 or the equivalent by two nationally recognized rating firms and with a maximum maturity of 270 days;
- 7.5 Repurchase agreements, whose underlying collateral consist of securities in section 7.1 of this Policy and executed with an Arizona bank or primary dealer, under the provisions of and with a maximum maturity of five years;
- 7.6 SEC registered money market funds whose portfolios are limited to the foregoing authorized securities; and
- 7.7 The State of Arizona's Local Government Investment Pool.
- 7.8 Competitive Bidding Requirement:

All securities, including certificates of deposit, will be purchased or sold after a minimum of two (2) offers/bids are taken to verify that the City is receiving fair market value/price for the investment.

### 8.0 Authorized Financial Dealers and Institutions:

- 8.1 The City shall maintain a list of financial dealers and institutions, including full information on the firm and broker and annual financial statements, authorized to provide investment services. Banks and savings banks shall provide their most recent Consolidated Report of Condition ("call" report) on a quarterly basis. At a minimum, the City shall conduct an annual evaluation of each firm and each bank's creditworthiness to determine whether it should be on the "Qualified Institution" listing.
- 8.2 Securities dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Banks, as primary dealers or, meet certain other criteria as set forth by the City.

### 9.0 Portfolio Diversification and Maturities:



# ATTACHMENT B

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9.1 It is the policy of the City to diversify its investment portfolio by security type and institution in accordance with the following diversification limitations:

<u>Security Type</u>	<u>Max. Percent of Portfolio</u>
U.S. Treasury Obligations	80%
U.S. Agency Obligations	80%
With one agency	40%
U.S. Instrumentality Obligations	80%
With one instrumentality	40%
 Certificates of Deposit	 20%
With one financial institution	10%
Bankers Acceptances	20%
Commercial Paper	35%
With one issuer	10%
Repurchase Agreements	75%
With one counter-party	20%*
 Money Market Funds	 35%
Arizona Investment Pool	35%

\* Excluding bond funds in which a flex repurchase agreement is utilized for the entire bond issue's proceeds.

9.2 The Investment Officer will attempt to match investment maturities to known or projected cash flow requirements. If not matched to a specific cash flow requirement, funds will be invested with an emphasis on liquidity until such time as an expenditure date can be determined. Core funds with no anticipated cash requirements may be invested without regard to liquidity.

9.3 To control risks of liquidity, a minimum of 35 percent of the total portfolio shall be invested in permitted investments with a maturity of one year or less.

9.4 The Investment Officer will insure that no more than 20 percent of the investment portfolio may be invested for a period greater than three years.

9.5 The dollar-weighted average maturity (WAM) of the City's overall portfolio shall not



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exceed one (1) year.

- 9.6 The performance benchmark for evaluating the performance and measuring the risk of the City's investment portfolio shall be the one year Treasury Bill yield for the same period which closely matches the portfolio's projected average maturity and reflects the portfolio's target composition.

### 10.0 Safekeeping and Collateralization:

- 10.1 All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery versus payment basis (DVP).
- 10.2 A City approved independent third party custodian shall be designated to hold all securities and collateral. The third party custodian shall issue an original safekeeping receipt to the City listing the specific instrument, rate, maturity, and other pertinent information; and the receipt shall indicate that the security is pledged to the City of Peoria.
- 10.3 Collateralization will be required on two types of investments:-Certificates of Deposit and Repurchase Agreements.
- 10.4 In order to anticipate market changes and provide a level of security for all funds, the acceptable collateralization level of certificates of deposit shall be that which is established and enforced by the State of Arizona Banking Commission. This level is currently 110 percent. For repurchase agreements, the collateralization level will be 102 percent of the market value of principal and accrued interest. All collateral on repurchase agreements shall be priced daily. The bank or counterparty will be responsible for monitoring and maintaining the margin requirements at all times.

### 11.0 Performance Evaluation:

- 11.1 The Investment Officer shall submit quarterly and annual reports to the City Manager and City Council containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program. Internal investment reports will be produced on a monthly basis.
- 11.2 The Investment Officer shall maintain complete and accurate reports on daily investment transactions and shall prepare monthly reports to be retained in the



## ATTACHMENT B

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Finance Department. Reports are to include inventory reports, transaction reports and performance reports.

11.3 The Investment Officer shall include a report on investment activity and returns in the City's Comprehensive Annual Financial Report including information required by GASB Statements 3, 31 and 40 which report safekeeping and collateral risk, fair value calculations and security market risks respectively.

11.4 The performance benchmark for evaluating the performance and measuring the risk of the City's investment portfolio shall be the one year Treasury Bill yield for the same period which closely matches the portfolio's projected average maturity and reflects the portfolio's target composition.

### 12.0 Investment Policy Adoption:

The City's investment policy shall be adopted by resolution of the City Council. The Policy shall be reviewed on an annual basis by the City Manager and any significant or material modifications thereto must be approved by the City Council and reflected on the approving resolution.



# QUESTIONNAIRE

Solicitation Number: P12-0046

Materials Management  
Procurement  
9875 N. 85<sup>th</sup> Ave., 2<sup>nd</sup> Fl.  
Peoria, Arizona 85345-6560  
Phone: (623) 773-7115  
Fax: (623) 773-7118

**Offerors are to indicate below any exceptions they have taken to the Terms, Conditions, or Scope of Work:**

If selected, FSAM would propose to add the following language to Section 31.c. of the Special Terms and Conditions found on Page 13 of 30 of the RFP:

Ensure complete and secure destruction of any and all paper documents and computer files at the end of the contracts retention requirements, provided however, that the obligation to destroy paper documents and computer files shall not apply to such documents and files required to be retained by law or document retention policy or required to be retained automatically as part of a computer back-up, recovery or similar system, all of which may be retained. but subject to the terms of this Agreement.

**City of Peoria Business License:** Vendors will be required to obtain a City of Peoria Business License at the time of contract award.

**If you already have a City of Peoria business license, please attach it to your proposal.**

Peoria City Code requires that all persons conducting business in Peoria must first obtain a license. This includes businesses within the Peoria city limits, or those outside the limits who conduct business or perform services within Peoria. For business license questions or to obtain a license, please contact the **City of Peoria Sales Tax & License Division** at (623) 773-7160 or via email at [salestax@peoriaAZ.gov](mailto:salestax@peoriaAZ.gov).

Has your firm been certified by any jurisdiction in Arizona as a minority or woman owned business enterprise? Yes \_\_\_\_\_, No  X .

If yes, please provide details and documentation of the certification.

2012



Account Number
10008239

Valid until 12/31/2012  
unless revoked

## Occupational License

The person or firm listed below is hereby licensed to conduct business in the City of Peoria  
subject to the provisions of the Peoria City Code, Chapter 11

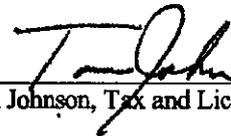
**Post in a Conspicuous Place**  
**Non-Transferable**

**Business Address:**

DEBORAH CODDINGTON  
325 N ST PAUL ST 800  
DALLAS TX 75201

 325-01-03-0722  
FIRST SOUTHWEST ASSET MANAGEMENT, INC  
DEBORAH CODDINGTON  
325 N ST PAUL ST 800  
DALLAS TX 75201



  
Tom Johnson, Tax and License Supervisor

-----

Proposal to Provide  
Investment Management Services

# City of Peoria

April 11, 2012

City of Peoria

**ORIGINAL**

**FirstSouthwest** 

CONTACT:

Scott D. McIntyre, Senior Vice President, [Scott.McIntyre@firstsw.com](mailto:Scott.McIntyre@firstsw.com)

300 West 6th Street, Suite 1940, Austin, Texas 78701

Phone: 512.481.2009 Fax: 512.481.2010

April 11, 2012  
Proposal to Provide  
Investment Management Services



300 West 6th Street, Suite 1940  
Austin, Texas 78701

**Scott D. McIntyre**  
Senior Vice President

512.481.2009 Direct  
512.481.2010 Fax

Scott.McIntyre@firstsw.com

April 11, 2012

Ms. Lisa Houg, CPPB  
City of Peoria  
9875 N. 85<sup>th</sup> Avenue, 2<sup>nd</sup> Floor  
Peoria, AZ 85345

Dear Ms. Houg:

On behalf of First Southwest Asset Management, Inc. ("FSAM"), an affiliate of FirstSouthwest, I appreciate the opportunity to submit our proposal to provide investment management services for the City of Peoria, Arizona (the "City"). FSAM believes our long history of helping public entities meet their financial goals, combined with our proven experience as the City's investment advisor for the last five years, highly qualifies our firm to continue assisting the City in the range of investments services it seeks. We hope the City will consider FSAM for the following reasons:

**Trust.** Since 1946, FirstSouthwest has been providing quality financial services and peace of mind to clients. As conservative investment managers, we consider safety of principal paramount.

**Public Funds Knowledge.** FSAM works *exclusively* with conservative governmental investors, with the majority of its clients subject to state investment guidelines. As of December 31, 2012, FSAM actively managed \$6.5 billion for dozens of local governments. In addition, we served as the investment advisor for an additional \$5.8 billion, participating in strategy development, market and economic analysis, and selection of prudent security alternatives.

**Personal Attention and Service.** FSAM's advisory clients are highly important to us, and we are committed to our responsibilities. Because we manage a select number of accounts, we are able to take the time to understand each client's individual needs and objectives. Through frequent communication of relevant market news, interest rates, and specific securities, we can offer each person on the City's staff the opportunity to continually develop his or her own investment skills.

**Proper Staffing.** We pride ourselves in being responsive. This means we have four experienced portfolio managers and a dedicated reporting coordinator working on your behalf. In addition, there are four compliance officers on staff and dozens of analysts, market specialists and IT personnel willing to assist as needed.

**Cash Management Expertise.** FSAM's service extends far beyond providing assistance in the management of funds. As Certified Treasury Professionals, we are able to provide valuable experience in the formulation of prudent investment policies as well as effective strategies in changing market conditions. In addition, several members of our Investment Management Services Group have investment accounting backgrounds, a useful resource when linking earnings to ledgers.

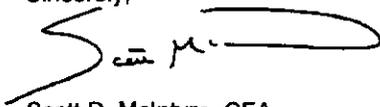
**Exceptional Reporting Capabilities.** FSAM produces timely and comprehensive reports allowing the City to quickly understand and assess its portfolio position. We also provide regular market and economic updates that help inform staff of news and events that affect investment earnings.

**Scope of Services.** FSAM offers in-house continuing disclosure and arbitrage rebate calculations in addition to investment advisory services. The knowledge and experience of the entire firm is available as a resource to City staff.

FSAM specializes in the management of public funds. Our commitment is to consistently maintain the highest level of integrity in the financial industry, while safely providing above average investment returns. By design, we provide services to a carefully controlled number of accounts, allowing us to work with our clients on an *individual* basis. With this high level of service and commitment, we are able to maximize the objectives of our valued clients.

FSAM is grateful for the City's consideration. If you have any questions during the selection process or need additional information, please do not hesitate to call me at 800.575.3792 or 512.481.2009 or to e-mail me at [scott.mcintyre@firstsw.com](mailto:scott.mcintyre@firstsw.com). We have been honored to work with the City in this position of trust, and hope to have the opportunity to continue the relationship.

Sincerely,



Scott D. McIntyre, CFA  
Senior Vice President



# Table of Contents

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## APPENDICES

- A Sample Reports
- B Economic E-mail and Quarterly Newsletter Sample
- C Sample Invoice

## Separately Sealed Exhibits

- 1 FSAM's ADV Form Parts I and II
- 2 City of Peoria Business License



## A. Organization Approach

1. Describe your organization, date founded, ownership, and any other business relationships or relationships with any financial institutions. (Please provide the number and location of affiliated offices).

### Organization of FSAM

First Southwest Asset Management ("FSAM") was formed as an independent investment advisor in 1991. The Investment Management Services Group, created in 1988, and the Arbitrage Rebate Compliance Services Group, created in 1987, became part of this newly formed affiliate. In 1997, FSAM expanded to include the Investment Pool Participant Services Department, which currently provides customer service and marketing for two local government investment pools, the Texas Short-Term Asset Reserve Program ("TexSTAR"), and the Local Government Investment Cooperative ("LOGIC"), both of which are joint investment pools of FSAM and JPMorgan Chase.

FSAM is a wholly owned subsidiary of FirstSouthwest Holdings LLC. ("Holdings"). Holdings has two other wholly owned subsidiaries, FirstSouthwest and FirstSouthwest Leasing Company ("FSLC"). Holdings, FirstSouthwest, FSAM, and FSLC are based in Dallas, Texas. On December 31, 2008, FirstSouthwest Holdings LLC merged with PlainsCapital Bank, a subsidiary of PlainsCapital Corporation. PlainsCapital Corp. is a privately held financial services company also based in Dallas, Texas

FirstSouthwest has grown into a firm with a national presence. We currently operate 22 offices in 11 states. FSAM's Investment Management Services group is based in Austin, Texas. From this location we serve clients in Texas, Arizona, New Mexico, California, and Florida. Our experience, services, philosophy and approach are designed to meet the unique needs of public entities like the City of Peoria, across the nation.

There have been no significant changes in FSAM's organizational structure, ownership, or management within the past three years.

### FirstSouthwest at a Glance



#### First Southwest Asset Management, Inc. (FSAM)

300 West Sixth Street, Suite 1940  
Austin, Texas 78701  
512.481.2009 Direct  
www.FSAM.com

- ✓ FirstSouthwest, founded in 1946 as a Delaware Corporation; FirstSW.com
- ✓ FSAM, affiliate of FirstSouthwest, founded in 1987
  - ✓ Headquartered in Texas
  - ✓ 22 Offices in 11 States; 9 in Texas
    - ✓ 395 Employees
  - ✓ 5 Employees dedicated solely to Investment Management Services
- ✓ Actively manages \$6.5 billion for local governments
- ✓ Investment advisor for an additional \$5.8 billion

2. Describe your firm's revenue sources (e.g., investment management, institutional research, etc.) and comment on your firm's financial condition.

### Financial Condition

As a diversified financial services company, FirstSouthwest's revenue comes from a wide variety of sources including investment banking; underwriting; clearing operations; asset management; continuing disclosure; and arbitrage rebate services, to name a few. This breadth of services, combined with our nationwide footprint, allows us to weather the occasional economic disruptions that may befall lesser firms. Our financial position remains quite strong with nearly \$80 million of stockholder's equity. The following table illustrates FirstSouthwest's capital positions as of year-end from 2009 through 2011.

CAPITAL (audited)			
As of 12/31	Equity (000s)	Net Regulatory (000s)	Excess Net (000s)
2009	\$67,942	\$58,357	\$56,194
2010	\$74,949	\$51,653	\$48,152
2011	\$79,683	\$57,101	\$52,350



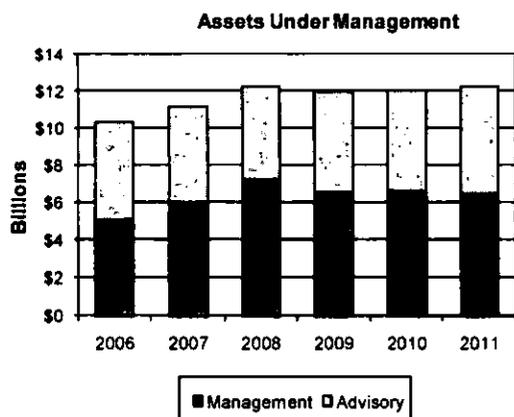
**3. Describe your client base and indicate the percentage of public sector clients within that customer base.**

FSAM focuses exclusively on the public sector. All of our clients and all of the assets we manage are public sector clients. In addition, all of the funds we manage are short-term fixed income portfolios representing operating, debt service, reserve and capital project bond funds. We do not manage retirement plans, pension funds, or other equity type funds. All of our clients operate under very similar laws and policies, which emphasize the safety of principal as the primary objective.

As of December 31, 2011 FSAM actively managed approximately \$6.5 billion for 33 governmental clients throughout the country. In addition, we served as the investment advisor for another \$5.8 billion, participating in strategy development, market and economic analysis, and selection of prudent security alternatives. FSAM focuses exclusively on the fixed income market, with maturities strategically placed to match the expected cash flow demands of our clients, be they operational, capital project, or debt service related.

The following graphs summarize the composition of portfolios currently under management or receiving advisory services for each of the last five years and reflect the breakdown of assets under management by client type.

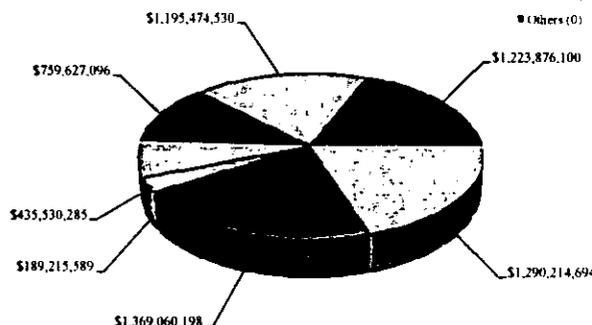
**Assets Under Management  
As of December 31, 2011**



**Assets Under Management by Client Type**

Assets Under Management  
As of December 31, 2011  
\$6,462,998,491 - 33 Clients

- Cities (10)
- School Districts (7)
- Higher Education (3)
- Utilities (3)
- Transportation (4)
- Hospitals (3)
- Counties (3)
- Others (0)



**4. How are public sector accounts managed within your firm. Indicate whether a team or individual approach is utilized.**

Since all we manage are public sector clients there is not any break out or division of management duties within the firm. Currently, the investment division employs four portfolio managers and one reporting coordinator. Portfolios are managed by the entire team, with each member playing a role. For the City of Peoria, Senior Portfolio Manager Greg Warner assumes the lead role with assistance provided by Nathan Smith and Dan Grant. Oversight is provided by department manager Scott McIntyre.

**5. Describe any SEC censure or litigation, or any legal proceeding with a regulatory agency, involving your firm at any time. Include any pending or probable incidents with any regulatory agency involving your firm during the past 3 years.**

There has been no SEC censure or litigation, or any legal proceeding with a regulatory agency, involving FSAM in the past and there are no pending or, to our knowledge, any probable incidents with any regulatory agency involving FSAM.

**6. Describe your firm's fixed income research capabilities and resources. Does your firm assign credit research to specialists? Who would be assigned to the City's account?**



## Investment Research



At FSAM, we gather most of our research through the Bloomberg Financial Markets system ("Bloomberg"). Bloomberg provides fixed income research capabilities and resources ranging from up-to-the-minute news and economic commentary to security analysis and historical pricing. FSAM has invested considerable capital in providing all of our investment managers with this system, which allows us to access market conditions quickly and determine the effect they are likely to have on our clients' portfolios. Through Bloomberg, we are privy to the opinions of top economists from virtually every primary dealer firm on Wall Street. In addition, the Bloomberg system allows us to stay current on credit ratings and provides us with security offerings from dozens of the top financial companies across the country.

Our relationships with traders and representatives from a widely diverse number of Wall Street dealers also provide us with timely fixed income research and commentary. In this way, we are able to reap the full benefit of renowned external research personnel for all of the portfolios we manage.

While we do not assign credit research to outside specialists, we do have several fixed income traders in the FirstSouthwest Capital Markets Group who can provide insight and assistance on specific security types as needed. Our senior portfolio managers, Scott McIntyre and Greg Warner, will oversee the credit review process. With safety of principal as the primary objective for all of our clients, we only invest in the highest quality securities.

### **7. Describe your firm's review process for assuring compliance of client's policies and guidelines.**

With five years of experience managing the City's portfolio we are very familiar with both the City's investment policy and the process for ensuring that the portfolio remains in compliance at all times. We have a multitude of redundant mechanisms in place. First and foremost, since we manage only public sector clients with very similar requirements, we simply know what we can and cannot invest in. Second, our managers know the City of Peoria and its policy. We maintain a hard copy in a binder on our desk for quick reference.

An electronic copy is kept on our network just a few mouse clicks away. Our portfolio managers review every security for policy compliance prior to purchase and every purchase must reviewed and approved by a senior portfolio manager. We also maintain a "what-if" spreadsheet of the City's portfolio where we test prospective trades in order to calculate portfolio statistics and analyze the projected impact on the overall portfolio. This includes a review of the weighted average maturity of the portfolio, which ensures that the policy's maturity limitations are not exceeded, and a test against diversification limits on security types and issuer concentrations. This is an ongoing process that occurs prior to every transaction. The monthly and quarterly reporting process involves a review of the various policy limits and the portfolio's compliance with those limits. Finally, trade tickets, report logs, written correspondence and client billing are subject to internal compliance review.

### **8. Provide a copy of your firm's Uniform Application for Investment Advisor Registration (ADV) Parts I and II, as on file with the Securities and Exchange Commission (SEC).**

FirstSouthwest includes this as *Separately Sealed Exhibit 1*.

### **9. Describe whether the firm has the capability to allow access to portfolio status via the internet either currently or in the future.**

FirstSouthwest does not currently provide direct internet access to portfolio data. This is largely due to the fact that we do not hold the City's securities in safekeeping. However, internet access to portfolio data *is* available through the City's safekeeping bank, Wells Fargo. So while it is not provided directly by FirstSouthwest, the information is readily available on-line. Furthermore, any information needed is never more than a phone call away. We pride ourselves on a high level of client service and responsiveness, as demonstrated by our past performance, to which City staff can attest. We do provide portfolio data and reports in both Excel and PDF formats by e-mail and will work hard to ensure that the City has access to any information required.



**10. Describe whether the firm has the capability to provide performance reports to the City through an electronic medium.**

All of FirstSouthwest's reports are available in an electronic medium. We distribute monthly and quarterly reports in an Adobe Portable Document File (PDF), and most reports can also be exported in a Microsoft Excel format.

**11. An investment report is provided to the City Council on a quarterly basis. Provide a sample report prepared by your firm.**

FirstSouthwest already provides a number of reports to the City of Peoria. These include a detailed monthly report, a consolidated quarterly summary with portfolio performance data, and a quarterly economic update and recap. We have included a sample report as *Appendix A*.

**12. Describe the training and educational services that your firm would provide and your firm's experience in this area. Include credentials of the individual(s) providing this assistance.**

On a bi-weekly basis, we host a market call discussing the current economic topics and updating our interest rate outlook.

In addition, we regularly share our knowledge through investment training and instruction designed specifically for local government personnel provided through organizations such as the Government Finance Officer's Association (GFOA) on a broad range of investment topics including:

- Compliance with State Investment Regulations
- Strategy, Market Risks & Diversification
- Investment Reporting
- Economic Analysis
- Security Analysis
- Safekeeping and Custody
- Local Government Investment Pools and Money Market Mutual Funds

We have a number of PowerPoint presentations available for viewing at anytime, and if the City would like staff training on a specific topic, we are happy to provide classroom instruction for groups of two to 10 in Peoria.

The following section describes credentials of the individuals providing this assistance.

**13. Explain why accounts, if any, have left your firm in the past 3 years.**

No accounts have left FSAM based on the actions of the firm within the past 3 years.

## B. Staff Qualifications

**1. Identify the number of professionals (portfolio managers, analysts and researchers) employed by your firm, by classification and specify the average number of accounts handled by the portfolio managers. Are there any established limits on accounts or assets under management? If used, how is a team approach implemented?**

All five members of FSAM's key personnel work exclusively in the public sector. The investment division employs four portfolio managers, two of these are senior portfolio managers, each with more than 15 years of industry experience. Each professional is responsible for an average of eight clients, however all of these managers work in close proximity to one another and all four will be highly involved in the management of the City's portfolio. Our hands-on approach fosters a high level of service and commitment, enabling us to maximize the objectives of our valued clients.

Although we do not have any explicit limits on the number of accounts or the assets managed, we do have a very stable client base. The number of clients and assets under management have remained fairly constant for several years. We carefully control our growth and are very selective when it comes to adding new clients.

As noted previously, Senior Portfolio Manager Greg Warner assumes the lead role with assistance provided by Nathan Smith and Dan Grant. Oversight is provided by department manager Scott McIntyre. With few exceptions, at least two members of the team are present on the desk at all times. Someone will always be available to assist the City.

**2. Within your firm, identify the number of key personnel committed to public sector accounts, and their credentials.**

FSAM's investment advisory group collectively has 55 years of investment experience, 45 years of which are exclusively in the public sector. In addition to those in our investment group, the firm employs more than 200



registered representatives of the Financial Industry Regulatory Authority (FINRA) who engage in annual continuing education related to the securities industry. Many of the professionals firm wide have in excess of 30 years each in the industry. Because FirstSouthwest serves our clients using a team concept, we call upon the expertise of any professional within the firm as necessary.

Senior Portfolio Manager and manager of our Investment Management Services Group, **Mr. Scott D. McIntyre**, serve the most active role in the administration and management of the Investment Management department. As with Mr. McIntyre, Sr. Portfolio Manager **Mr. Greg Warner** provides primary daily contact with client staff and manages duties such as analyzing portfolios, assessing market

conditions, evaluating investment opportunities, and preparing all documentation related to the account.

Portfolio Manager **Mr. Nathan Smith**, formerly a fixed income trader with the Lower Colorado River Authority, has taken over primary responsibility for transaction execution and trade documentation. He is assisted by Portfolio Manager **Mr. Dan Grant** who joined our team last May after an 18-year career with Fidelity Investments. The addition of Mr. Grant further enhances our ability to provide diligent and timely personal service. Reporting Coordinator **Ms. Jodi K. Jones** provides comprehensive investment reporting and other support functions.

The credentials of the five member team are detailed in the following matrix:

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**Qualifications Matrix**

<b>Scott D. McIntyre, CFA, Sr. Portfolio Manager</b>	<b>Years' Experience</b>				
	<b>FSAM</b>	13	<b>Investment</b>	25	<b>Public Sector</b>

**Professional Designations**

- Chartered Financial Analyst (CFA) designation from the CFA Institute
- Certified Treasury Professional (CTP) designation from the Association for Financial Professionals
- Member of the Austin Society of Financial Analysts, the CFA Institute and the Association for Financial Professionals (AFP)
- Registered Representative of the Financial Industry Regulatory Authority (FINRA)
- General Securities Principal, Series 24
- General Securities Representative, Series 7
- Uniform Securities Agent, Series 63
- Uniform Investment Adviser, Series 65

<b>Greg Warner, CTP, Portfolio Manager</b>	<b>Years' Experience</b>				
	<b>FSAM</b>	13	<b>Investment</b>	21	<b>Public Sector</b>

**Professional Designations**

- Certified Treasury Professional (CTP) designation from the Association for Financial Professionals
- Registered Representative of the Financial Industry Regulatory Authority (FINRA)
- General Securities Representative, Series 7
- Uniform Securities Agent, Series 63
- Uniform Investment Adviser, Series 65

<b>Nathan Smith, Portfolio Manager</b>	<b>Years' Experience</b>				
	<b>FSAM</b>	3	<b>Investment</b>	5	<b>Public Sector</b>

**Professional Designations**

- Registered Representative of the Financial Industry Regulatory Authority (FINRA)
- General Securities Representative, Series 7
- Uniform Securities Agent, Series 63

<b>Dan Grant, Portfolio Manager</b>	<b>Years' Experience</b>				
	<b>FSAM</b>	10 months	<b>Investment</b>	21	<b>Public Sector</b>

**Professional Designations**

- Registered Representative of the Financial Industry Regulatory Authority (FINRA)
- General Securities Representative, Series 7
- Registered Options Principal, Series 4
- Equity Trader Limited Representative, Series 55
- Uniform Securities Agent, Series 63

<b>Jodi K. Jones, Reporting Coordinator</b>	<b>Years' Experience</b>				
	<b>FSAM</b>	4	<b>Investment</b>	4	<b>Public Sector</b>

**Professional Designations**

- Bachelor of Business Administration in Accounting and Finance, The University of Houston



3. Provide biographies on investment professionals within your firm that will be involved in the decision making process for the City's portfolio. Include education, certification, and licensing information for those individuals.

## Résumés



**Scott D. McIntyre, CFA**  
Senior Vice President and Senior Portfolio Manager  
300 West Sixth Street, Suite 1940  
Austin, TX 78701  
Telephone: 800.575.3792  
scott.mcintyre@firstsw.com

### Areas of Focus

Specializes in investment consulting and portfolio management for local governments

### Profile

- Joined FirstSouthwest in 1998 as Senior Portfolio Manager
- Is the primary manager of FirstSouthwest Asset Management's Investment Management Division and oversees the daily operations of the group
- Develops economic and interest rate outlook
- Determines appropriate investment policies and strategies for fixed income clients.
- Reviews client revenue and expense cash flows
- Analyzes investment alternatives and calculates relative value of individual securities
- Presents various investment options to clients
- Purchases investment securities on a competitive basis
- Reviews monthly and quarterly reports
- Evaluates policy compliance and account performance

Past experience includes market and securities analysis, management of the mortgage-backed securities portfolio and active trading of short Treasury positions

### Education

- Bachelor of Science in Management, Texas State University

### Current Affiliations

- CFA Institute
- Association for Financial Professionals
- Austin Society of Financial Analysts
- Government Treasurers Organization of Texas

### Licenses and Designations

- Chartered Financial Analyst (CFA) designation from the CFA Institute
- Certified Treasury Professional (CTP) designation from the Association for Financial Professionals
- Registered Representative of the Financial Industry Regulatory Authority (FINRA)
  - General Securities Principal, Series 24
  - General Securities Representative, Series 7
  - Uniform Securities Agent, Series 63
  - Uniform Investment Adviser, Series 65



**Greg Warner, CTP**  
Senior Vice President and Sr. Portfolio Manager  
300 West Sixth Street, Suite 1940  
Austin, Texas 78701  
Telephone: 512.481.2012  
greg.warner@firstsw.com

### Areas of Focus

Specializes in investment management services

### Profile

- Joined FirstSouthwest in 1998
- Responsibilities include client communications, analyzing portfolios, evaluating securities, coordinating the reinvestment of upcoming security maturities, executing trades, reviewing investment policies and investment strategies, monitoring broker-dealer relationships and valuing investment portfolios
- Works closely with clients to create and implement appropriate investment strategies
- Oversees client account documentation and supervises the investment reporting function
- Frequent presenter on investment topics at industry conferences
- Began his career in the banking industry, working in the accounting and investment management divisions of banks in Chicago and Austin, Texas



- Work experience includes portfolio management, asset/liability management, investment accounting, mortgage banking, and extensive analysis and reporting on fixed income investment portfolios

**Education**

- Bachelor of Business Administration, The University of Texas at Austin

**Current Affiliations**

- Certified Treasury Professional (CTP) designation from the Associated for Financial Professionals
- Government Treasurer’s Organization of Texas
- Texas Association of Counties, County Investment Officer Advisory Committee

**Licenses Held**

- Registered Representative of the Financial Industry Regulatory Authority (FINRA)
  - General Securities Representative, Series 7
  - Uniform Securities Agent, Series 63
  - Uniform Investment Adviser, Series 65



**Nathan Smith**  
 Portfolio Manager  
 300 West Sixth Street, Suite 1940  
 Austin, Texas 78701  
 Telephone: 512.481.2019  
 nathan.smith@firstsw.com

**Area of Focus**

Specializes in investment management services

**Profile**

- Joined FirstSouthwest in June 2008
- Responsibilities include client communications, analyzing portfolios, coordinating the reinvestment of upcoming security maturities, trade execution, trade documentation, analysis of investment securities and fund data, standard and custom reporting, monitoring call status, collateral review, economic research, and other special projects
- Prior experience includes working as a Financial Analyst at the Lower Colorado River Authority

where he was responsible for purchasing short to intermediate fixed income securities, constructing benchmark performance reports, preparing economic reports and performing financial and credit analysis of LCRA counterparties

- Four years of experience working as a Credit Specialist at Comerica Bank assisting in the structuring and underwriting of loans and performing related credit reviews

**Education**

- Bachelors of Business Administration, LeTourneau University

**Past Affiliations**

- Austin Association of Financial Professionals
- Corrections Specialist in the United States Marine Corps

**Licenses Held**

- Registered Representative of the Financial Industry Regulatory Authority (FINRA)
  - General Securities Representative, Series 7



**Dan Grant**  
 Portfolio Manager  
 300 West Sixth Street, Suite 1940  
 Austin, Texas 78701  
 Telephone: 512.481.2016  
 dan.grant@firstsw.com

**Area of Focus**

Specializes in investment management services

**Profile**

- Joined FirstSouthwest in May 2011
- Responsibilities include trade execution, trade documentation, coordinating the reinvestment of upcoming security maturities, analysis of investment securities and fund data, monitoring call status, collateral review, economic research, and other special projects.
- Prior experience includes 18 years at Fidelity Investments with the most recent role being Corporate Bond Trader for both institutional and retail customers. Other securities traded include



equity and index options, equities and mutual funds.

**Education**

- Bachelors of Science – Finance, Bently University 1989

**Licenses Held**

- Registered Representative of the Financial Industry Regulatory Authority (FINRA)
  - General Securities Representative, Series 7
  - Registered Options Principal, Series 4
  - Equity Trader Limited Representative, Series 55
- Uniform Securities Agent, Series 63



**Jodi K. Jones**  
Reporting Coordinator  
300 West Sixth Street, Suite 1940  
Austin, Texas, 78701  
Telephone: 512.481.2076  
jodi.jones@firstsw.com

**Area of Focus**

Specializes in reporting for investment management

▪

**Profile**

- Joined FirstSouthwest in February 2007
- Manages and maintains client accounts through SS&C Technologies' CAMRA investment accounting and portfolio system
- Responsibilities include generating monthly and quarterly reports for all investment management clients and assisting in trade operations and security documentation
- Participates in the creation of custom client reports, investment-related consulting projects and other special assignments
- Two years of experience as a Post Foreclosure Sales Specialist at Baxter & Schwartz, a real estate law firm in Houston
- Past employment includes practical experience in bookkeeping, accounting, reporting, and project research

**Education**

- Bachelor of Business Administration in Accounting and Finance, The University of Houston

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**4. Describe any known investigations or complaints regarding a team member from your firm or any broker your firm utilizes.**

To the best of our knowledge, there are no investigations or complaints involving FSAM employees or any broker the firm utilizes.

**5. Describe your firm's efforts to keep portfolio managers informed of developments relevant to public sector investment managers.**

### **Informed Investment Advisors**

FSAM's portfolio managers stay continually informed of the latest developments in proposed investment legislation, changes in accounting standards, and economic and financial markets. We regularly receive news regarding the financial markets via many different mediums, including but not limited to:

- *Subscriptions* to major economic and investment research publications providing us with information regarding the market, such as: the *Wall Street Journal*, *The Bond Buyer*, *Business Week*, *CNBC*, and internal research (including proprietary economic data), and regulatory publications.
- *Dr. Leonard Santow*, a private economist and consultant to FSAM, provides our portfolio managers with market direction through regular conference calls, e-mail and periodic newsletters.
- *Bloomberg Financial Markets system* provides all of our investment managers with an outstanding resource for technical and fixed income research capabilities, as well as an immediate resource for timely information from up-to-the-minute news and economic commentary to security analysis and pricing history.
- *Broker/Dealer Contacts* - Our relationships with traders and representatives from a widely diverse number of Wall Street dealers also provide us with timely fixed income research and commentary. In this way, we are able to reap full benefit from huge external research staffs for all of the portfolios we manage and advise.
- *Participation in various trade organizations* permits us to receive newsletters from governmental organizations and private economic consultants such as the Government Finance Officers Association (GFOA), the Treasury

Management Association (TMA), and the Government Treasurer's Organization of Texas (GTOT).

- *Texas PFIA Legislation* – FirstSouthwest has taken an active role in shaping the Texas Public Funds Investment Act (PFIA), which governs the investment of public funds. During the 2011 legislative session we worked closely with many representatives from the public investment community and proposed several revisions to the PFIA. These efforts culminated in HB 2226, which was passed into law during the summer of 2011. This experience translates to the legal framework governing investment laws in many states.

In addition, Mr. McIntyre is a member of the Austin Society of Financial Analysts and a national member of the CFA Institute. Mr. Warner and Mr. McIntyre are both members of the Association for Financial Professionals (AFP). The designations and securities licenses held by our professionals have stringent continuing education requirements which require that we keep our industry knowledgebase current. This same knowledge and experience is then shared with governmental entities throughout the United States on topics related to public funds management.

**6. State whether there has been any turnovers or additions of key personnel within your firm in the past 12 months.**

There have been no changes in key personnel at FSAM during the last 12 months as both Mr. McIntyre and Mr. Warner continue their long tenure with the firm. We did experience the departure of one staff member in April of 2011 as portfolio manager Alex Arellano tendered his resignation to pursue other opportunities. His position was filled with the addition of portfolio manager Dan Grant, who joined us after an 18-year career with Fidelity Investments.

**7. Describe your firm's compensation policies for investment professionals.**

FirstSouthwest's investment professionals are paid a fixed annual salary. Some of our key personnel are eligible for additional incentive-based compensation dependent on meeting company goals and objectives. FirstSouthwest investment professionals and portfolio managers do *not* earn bonuses, commissions, or other incentive based compensation tied to the performance



of client portfolios. As a result, our managers have no incentive to take on undue risk in client portfolios.

### C. Firm Experience:

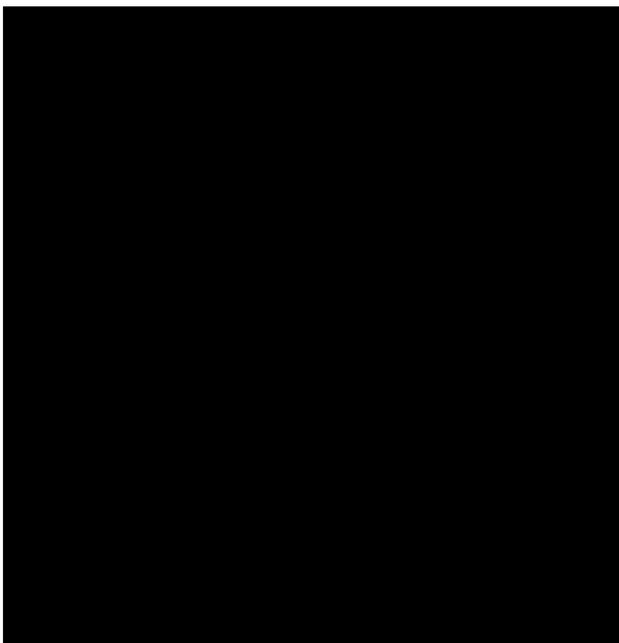
**1. Describe your firm's experience in serving as investment management advisor for municipalities and other public entities. Include the dollar value of assets your firm has under management for other municipalities, the number of municipalities or other public sector clients included, length of time they have been clients, and your total assets under management.**

As of December 31, 2011 FSAM actively managed approximately \$6.4 billion for 33 governmental clients throughout the country. In addition, we served as the investment advisor for another \$5.8 billion. The average client tenure is nearly ten years.

**2. List the ten largest (or most representative) public sector clients of the investment team to be assigned to the City's account and the length of time they have been clients.**

The list below provides a representative sample of our clients with portfolios of a substantially similar makeup to that of the City.

**THE LIST SHOWN BELOW IS CONSIDERED CONFIDENTIAL INFORMATION AND MAY NOT BE DISTRIBUTED AS PART OF ANY OPEN RECORDS REQUEST OR OTHERWISE DISSEMINATED WITHOUT OUR PRIOR WRITTEN CONSENT.**



**3. Describe the management style of your firm in working with public sector clients, and how specific securities and market sectors are selected.**

The first step in helping the City realize its objectives is to understand its policy and other guidelines. With our focus on public sector clients and direct experience with the City we have a unique understanding instilled in our investment process. We assist clients with developing investment strategies appropriate for each source and use of funds, and then provide investment recommendations based upon the adopted strategies.

The City's stated objective of ensuring safety of principal has always been a fundamental objective of FSAM. Our investment philosophy is conservative in nature, but we believe a thorough discussion and understanding of the risk profile unique to each client is an important step in determining the asset mix of any portfolio.

Our first step is to determine if specific securities or market sectors meet the primary goal of protecting principal and whether or not they are allowed by policy. If this initial test is passed, we can then begin a process to evaluate the security and its value relative to other alternatives. We also perform an analysis of the entire portfolio and make a determination as to whether a particular security or type of security fits in the portfolio and meets the various policy limits on maturity, diversification, and other risk. Finally, we analyze securities in the context of the current market and current economic conditions. We must determine if a security or market sector is appropriate given the macro economic outlook, future rate expectations, and other variables. All of these factors must be taken into account and given careful consideration before the investment decision can be made.

**4. Provide a published example of your firm's view of interest rates and/or market information.**

FSAM produces a number of informational pieces. One client favorite is commonly referred to as our



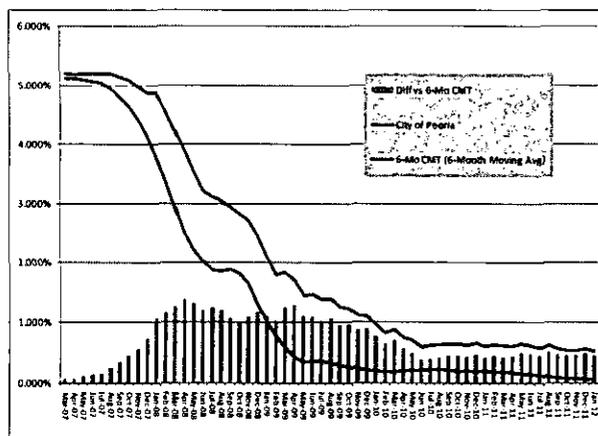
Economic E-Mail or Eco E-Mail for short. These brief recaps are sent by e-mail following the release of important economic indicators and other market moving news events. These e-mails, typically no more than three or four paragraphs, are written in plain English and are designed to keep clients informed about important data or market moving events without bogging down in a bunch of difficult market jargon or minute details.

FSAM also produces a quarterly newsletter which recaps important events, economic data, and market moving news from the previous quarter. FirstSouthwest includes recent examples of both of these in *Appendix B*.

**5. Provide data of account/asset growth and other performance statistics over a 5 year period for a portfolio managed by your firm which is similar in size and structure to the City's investment portfolio. Identify major investment criteria, annual returns, and benchmarks.**

Since we have managed the City of Peoria's portfolio during the last five years we have elected to use it as our sample in response to this question. Over the last five years the average monthly yield for the City of Peoria's portfolio was 2.15%. That compares to 1.49% for the benchmark six-month CMT and 1.83% for the benchmark one-year CMT.

Please note that this portfolio was managed in full compliance with the City's conservative investment policy. Holdings include Federal agencies, Treasuries and select prime commercial paper.



**6. Describe any compensation received by your firm for the use of specific brokers/dealers. What is your**

**policy regarding the use of financial institutions associated with your firm?**

FSAM receives no compensation for the use of any specific broker/dealer. Our affiliate, First Southwest Company, serves as broker in securities for investments made by some local government clients. However, to maintain our independence, and prevent conflicts of interest, FSAM does not solicit bids, nor purchase any investments from our affiliate.

We do not utilize any soft dollar arrangements. The only compensation received is the direct fee paid by the client. There is no benefit or incentive to direct trades to a particular broker/dealer. FSAM's policy precludes us from executing trades with our broker/dealer affiliate or other related financial institutions. All transactions are made on a competitive best execution basis with outside, non-affiliated broker/dealers. This policy eliminates any real or perceived conflict of interest and ensures that FSAM always puts our client's interests ahead of our own.

**7. Describe your firm's approach to managing relationships with the broker/dealer community.**

As a registered investment advisor, FSAM does not act as a broker or a dealer in securities. All investment transactions made for our investment management clients are performed on a competitive, best execution basis with non-affiliated brokers/dealers. FSAM has no business affiliations that affect its investment management or performance.

FSAM has an extensive network of over 30 broker/dealers. We maintain an approved broker/dealer list which is updated and reviewed at least once a year. Broker/dealers wishing to become approved are subjected to a due diligence process which includes completing a questionnaire, providing firm financials, résumés of sales representatives, and samples of research and trade ideas. FSAM then performs a review of FINRA regulatory filings and checks references as necessary. Trade data is reviewed regularly to ensure a competitive process and to guard against an overconcentration of transactions with any single broker/dealer.

**8. Describe any assistance your firm would provide in reviewing depository and safekeeping agreements, and your firm's experience in this area. Include credentials of the individual(s) providing this assistance.**



Upon request, Scott McIntyre will assist the City in reviewing all documents associated with the depository bidding process. Scott's overall credentials are included within this proposal, but he has assisted FSAM and FirstSouthwest clients in developing depository RFPs, evaluating proposals and selecting banking institutions for years. As part of this process, Scott has reviewed dozens of depository and safekeeping agreements. In addition, FirstSouthwest Company has a number of analysts, banking specialists and a legal group on staff to assist with document preparation and review.

## D. Investment Management Approach

### **1. Describe your firm's approach to fulfilling the requirements of this RFP.**

FSAM has a demonstrated ability to fulfill the requirements of this RFP as evidenced by our five-year history of providing these services to the City. We have the staff, the knowledge, and the experience required to continue meeting the City's needs in this regard. The process is already in place and we do not anticipate any major hurdles to fulfilling the RFP's requirements.

### **2. Describe how your firm organizes its investment management process. What oversight is provided to portfolio managers? What controls are suggested for management?**

Our management process is very similar for all of our clients. Senior Portfolio Managers Scott McIntyre and Greg Warner will formulate the firm's investment strategy given current market conditions and that strategy will be implemented by portfolio managers Nathan Smith and Dan Grant. Sr. Portfolio Manager Greg Warner has primary responsibility for the City's account. Mr. Warner will review all transactions for compliance with the City's policy and investment objectives. Transactions will generally be executed by Portfolio Managers Nathan Smith and Dan Grant, with input from the City and Mr. Warner. Department manager Scott McIntyre will review and approve all transactions. Trade data will then be sent to City staff, which must also review and approve the transaction before it is sent to the City's safekeeping institution. In this manner, the City retains ultimate control over its funds and no transaction can be settled without the approval of City staff.

The final control measure rests with the City as City staff should reconcile FSAM trade tickets and report data with safekeeping receipts and account statements provided by the City's safekeeping institution. This is a critical internal control measure.

### **3. What are the primary strategies for adding value to portfolios (e.g., market timing, credit research, trading)?**

Because we independently manage each portfolio, methods of adding value differ among clients. For clients with investment policies that allow for a wide range of authorized investments, FSAM is able to select the best offerings from among a large number of premier financial sources. Each morning, our portfolio managers review current Treasury, agency and municipal investment offerings from dozens of broker/dealer firms. We perform the review daily, regardless of whether our clients purchase securities. This exercise gives us a necessary historical perspective on the bond market, as we monitor spreads on agencies as well as historical changes in Treasury yields. Because this is an ongoing process, we are able to recognize quickly when a particular issue becomes cheap relative to where it has been trading. This "relative value" approach is our most consistently employed strategy. To that end, we can add great value if the City's cash flows allow us to take advantage of such pricing opportunities.

When cash flows are restrictive or when a policy is more conservative, FSAM relies more on our ability to access the market. Although not considered a strategy, we do see security products at more advantageous prices because of the volume of business our firm conducts as a whole. We are able to pass on this "volume discount" to all of our clients, regardless of portfolio size.

Occasionally, we actively manage client portfolios through trading or swapping from securities that have become "rich" to the curve. If the City elects a more active approach, we will establish a small percentage of available funds as a Treasury trading position. Using such strategies may result in incremental income through realized gains or enhanced earnings through increased spreads.

Due to the cyclical nature of public funds cash flow, a conservative strategy that is prevalent in all portfolio construction is to "ladder" portfolio maturities so that



they correspond to known expense payment dates. This is particularly effective when large payroll or debt service payments can be forecasted easily. Oftentimes, it may be advantageous to position laddered securities to mature *prior* to the actual dates with the expectation of reinvesting in a higher yielding market in the future.

Although as much a *safeguard* as a strategy, *diversification* is a critical element in the value equation. We believe the most important aspect of diversification is determining the proper allocation between variable rate and fixed rate investments. FSAM will help the City to better diversify by:

- Suggesting the optimal percentage of funds to be invested out along the curve in any given rate environment;
- Establishing value in each maturity range;
- Purchasing securities with the highest relative value within each range; and
- Rebalancing the portfolio as securities mature.

Generally, by diversifying the portfolio, the City achieves its final stated objective of earning a competitive market rate of return. Because we work closely with our clients, the strategies we ultimately employ are those that our clients both are comfortable with and fully understand.

**4. Describe how you would ensure that your team understands the investment objectives and constraints for this account.**

With five years of experience in managing Peoria's portfolio, our team is well versed in the investment objectives and constraints of the City. Furthermore, since all of our public sector clients operate under very similar policy constraints, an active and conservative approach is a guiding FSAM principal. All of our portfolio managers have been required to read the City's policy, and they will be required to read it again whenever it is updated or modified. As previously described, we keep a hard copy of the policy in a binder on our desk for quick reference. An electronic copy is saved on our network just a few mouse clicks away. Our portfolio managers review every security for policy compliance prior to purchase and every purchase must be reviewed and approved by a senior portfolio manager. On an ongoing basis, all trades are subject to internal compliance review from an independent department of FirstSouthwest Company.

In total, these procedures ensure that the City's best interests are served.

**5. Describe the daily procedures for portfolio review, investment management, and client contact.**

**Daily Portfolio Procedures**

**Portfolio Review.** FSAM enters all transactions into the trade system on a daily basis, creating an up-to-date portfolio record at all times. On a weekly basis, FSAM prints and adds portfolios to the desktop reference for review prior to enacting any transaction. We maintain a list of upcoming maturities and a list of upcoming call dates for callable securities. These lists are reviewed every day so that reinvestment can be coordinated. If necessary, City staff will be contacted to discuss reinvestment options for maturing or called securities. We also maintain a log of all trading activity on the trading desk. We review client portfolios weekly, regardless of the level of trading activity in the account, to ensure adequate diversification.

**Daily Procedures.** The management process begins every morning as our portfolio managers search inventories of approved broker/dealer firms for the best values in each investment type and maturity sector. We compile this information into the "Relative Value Report" mentioned in the prior section. From our prior conversations with the City and review of maturity and call listings, we should be aware of available cash positions as well as upcoming maturities and calls. If we determine exceptional value in a specific security type or maturity range, we will contact staff by phone or e-mail to determine whether monies may be invested out along the curve.

If the City agrees to invest funds, our managers will review the investment policy and contact the broker/dealers for specific security offerings. On a competitive basis, we select the most advantageous dealer offering and execute the trade. A trade ticket is immediately produced with three competitive offers clearly stated. Broker/dealer confirmations are independently checked against the internal trade ticket and reconciled in the event that a discrepancy exists. After confirmation with the counterparty, we fax or e-mail a trade ticket to City staff. Staff will then review the trade, sign the trade ticket indicating acceptance, and then forward the trade information to City's safekeeping agent and make arrangements for delivery.



For control purposes, the City is responsible for moving funds into place for trade settlement. On the actual day of settlement, FSAM will follow up with the dealer to ensure that timely delivery is made. The entire trade process is fully documented and maintained on file for audit purposes, while the monthly reporting package details the purchase transaction as well as ongoing book and market values.

## Client Contact

FSAM's portfolio managers spend much of the business day on the trading desk, so they are always available when City staff needs assistance. Since FSAM senior managers all have mobile devices, it is also possible to correspond with City staff after hours, or on weekends. *We realize time is often of the essence and strive to make ourselves available on your schedule.*

On an ongoing basis, we will seek to keep the City staff informed through daily market updates, e-mail correspondence and regular phone conversations. Our managers routinely convey relevant economic information upon release and discuss specific security information and information affecting the City's investments. In addition, we offer a bi-weekly economic call with Dr. Len Santow, and another interactive client strategy call in which we discuss current interest rates, specific security types, economic news as well as data releases and industry rate forecasts.

**6. What would your firm require from the City in terms of cash flows and the cash forecasting process, and how would you assist the City in this process?**

## Cash Flows and Cash Forecasting

FSAM would request that the City provide such large expense items as debt service obligations, monthly payroll, and other significant operating expenses, as well as historical patterns in ad valorem and sales tax collections and other major revenue items. Often, a small number of revenue and expense items constitute a significant portion of the total; if this is the case with the City, a basic cash flow model would capture the necessary information to begin the cash forecasting process. In addition, we ask that monthly fund balances be provided as another tool in understanding the flow of the City's funds.

Once we have received the City's input, FSAM will assist in developing a useful cash forecasting process by offering suggestions and developing models as requested. The formal cash flow forecast will enable the City and FSAM to better anticipate incoming cash receipts and outgoing expenditures, thereby determining the maximum possible maturity or investment horizon. Once developed, we re-examine the City's investment strategies and how each strategy overlays with the cash flow forecast.

Over time, the formal cash flow can be refined to better anticipate cyclical fluctuations. To address the possibility of fluctuating fund balances and to acknowledge a potential lack of cash flow certainty, a slightly higher liquidity percentage may be necessary to insure that funds are available should an unanticipated expenditure transpire.

**7. How frequently would you suggest staff from your firm meet with city staff? Who will attend the briefings?**

FSAM strives to provide information the City of a continual basis. We distribute a relative value report early each morning, periodic economic summaries and host bi-weekly strategy calls for our clients. Beyond that, e-mails and phone calls are made on a regular basis as markets conditions and portfolio transactions dictate. This high level of communication reduces the need for more formal meetings. However, we're always happy to attend meetings in Peoria whenever the City requires. These meetings will be attended by a senior portfolio manager as well as any specialists whose work directly relates to the project or investment being considered.

**8. What type of training does your firm have planned for the assigned investment team over the next 3 year period?**

All of our portfolio managers have years of experience and keen interest in this arena. We strive to stay informed on industry topics every hour of every day and frequently attend trade group conferences, webinars, and other training programs to stay up to date on industry regulation, security information, economics and data releases. We also prepare and teach sessions on investment-related topics, providing critical training to others in the industry. Mr. McIntyre is a member of the Austin Society of Financial Analysts and a national member of the CFA Institute.



Mr. Warner and Mr. McIntyre are both members of the Association for Financial Professionals (AFP). These professional designations as well as the securities licenses held by all of our professionals have stringent continuing education requirements which require that we keep our industry knowledge base current. Specific units of continuing education are required by FINRA in order to maintain security licenses. The FirstSouthwest compliance team tracks individual requirements of its representatives.

**9. Describe the trade process you anticipate.**

This has largely been addressed in our response to question D.5. To recap, our portfolio managers will monitor the portfolio's cash balance through contact with City staff and by accessing the web-site of the City's safekeeping agent. We will also review upcoming maturities and calls and discuss the cash needs with City staff as required. Once we determine what funds are available we will begin a review of the City's portfolio, taking into account our investment strategy, upcoming cash needs, diversification limits, and other factors. From this we will develop some parameters to guide us as we begin looking for specific securities. We will then solicit and review offerings from the broker/dealer community. This may include dozens of broker/dealers, but will always cover a minimum of three. Ultimately we will select the best offering available which fits all the parameters and restrictions in place.

We will then execute the trade, confirm the details with the broker/dealer, and prepare trade tickets. The trade tickets will include all the necessary information and will provide details on at least three competitive offers. The trade tickets will then be sent to City staff who will review the trade, sign the ticket, and return it to FSAM as confirmation. City staff will also send the trade ticket to the safekeeping agent, instructing them to accept delivery and release funds to pay for the investment. FSAM will monitor the settlement process to ensure timely delivery and settlement of the transaction.

**10. Describe your firm's policy on soft dollar arrangements.**

FSAM does not pay any finders' fees or share any revenues with other firms, nor will FSAM participate in any soft dollar arrangements. FSAM's current policy

forbids soft dollar arrangements. All transactions are made on a competitive best execution basis with outside, non-affiliated broker/dealers. The only compensation received is the direct fee paid directly by the client.

**E. Reporting Capabilities**

**1. Describe the frequency, timeliness, and format of reports that would be provided to City staff. Provide sample reports and include methods and formulas used to calculate yield and performance.**

During the fourth quarter of 2009, FSAM completed a software systems conversion to SS&C Technologies' CAMRA investment accounting and portfolio management system. The switch to CAMRA significantly upgraded our reporting capabilities and greatly enhanced the accounting functionality and internal controls.

CAMRA reports are produced for the City on a monthly basis.

- Sophisticated accounting reports including interest accruals, amortization/accretion, book value progression and market value data for many different types of securities, certificates of deposit, flex repos and other fixed income securities.
- Accurate, timely data for investment decision-making.
- Comprehensive, easy to understand reports.
- Customizable reporting and graphics.
- Reports that comply with national accounting standards and state laws, if applicable.
- GASB 31 and GASB 40 compliance.

We obtain security market prices from independent sources wherever possible. We currently subscribe to Interactive Data Corporation ("IDC") to price most investment securities, and use Bloomberg Financial Markets for pricing commercial paper and other instruments. All client data and the CAMRA system are stored on a secure network file server and backed up nightly.

Yields are calculated and reported using industry standard conventions. Interest bearing instruments will be quoted on a yield-to-maturity basis. This is a



calculation of debt instrument's total yield from settlement date until maturity. In addition to its coupon or interest payments, the yield calculation also considers the discount or premium paid when a bond is purchased. This is a complex algebraic formula which uses algorithms and an iterative process to solve for yield. It can be expressed as:

$$P = (C_1 / (1+YTM)) + (C_2 / (1+YTM)^2) + \dots + (C_n / (1+YTM)^n) + ((FV / (1+YTM)^n)$$

Where: P = Current Market Price  
 n = number of periods until maturity  
 C<sub>1,2,n</sub> = Dollar amount of coupon payment in periods 1, 2, n  
 FV = Face or Par Value  
 YTM = Yield-to-Maturity

Discounted instruments will be quoted on a bond equivalent yield basis, calculated as follows:

$$BEY = (\text{Dollar Discount/Purchase Price}) \times (365/\text{Days to Maturity})$$

All formulas, yields, amortization or accretion amounts, and other calculations utilize industry standard methodologies.

**2. Describe the types of benchmarks which would be included with the performance reports.**

**Performance Benchmarks**

In order to make transparent and fair comparisons, we present a number of basic measurements. We prefer weighted average yields instead of rate of return measures to ensure our clients, and the boards and/or committees tasked with oversight of investments, understand exactly what the investment portfolio is earning. The benchmarks typically selected for our clients are intended to be easily understood and fully verifiable through independent outside sources. In addition, the benchmark should be reflective of both the target maturity and the asset composition of the portfolio.

For these reasons, we advocate using familiar and verifiable United States Treasury benchmarks. For example, if the City were to target a one-year weighted-average maturity and invest primarily in U.S. government agencies, the recommended benchmark

might be the 12-month Constant Maturity Treasury Index ("CMT").

We understand that our client's portfolios should typically *exceed* the benchmark, *and they do*, but in the case of public funds, a benchmark is not intended as a hurdle that encourages risk. Rather, it is intended to give the governing body *a frame of understanding* from which to evaluate the actual portfolio yields. The selected benchmark, or measuring tool, will have no impact on the earnings themselves.

**3. What type of billing statements does your firm provide to clients? How long after the end of each quarter are they mailed? Provide sample statements.**

Billing statements will include a summary of the assets under managements at the end of each month, which provides the basis for calculating the asset based fee. A breakdown with fees attributed to each fund is also included in order to facilitate the allocation of investment expenses to the appropriate funds. Invoices are generally prepared and sent by e-mail within three weeks of a quarter-end. This process can be expedited upon client request. A sample invoice is included in *Appendix C*.

**4. Describe the type of portfolio record keeping system used by your firm. How frequently is the data backed up? Is data stored on a mainframe or stand alone system? Is the software used by your firm proprietary? How long has the software been in place? And 5. Is your system owned or leased?**

As further described in our response to this RFP's "Reporting Capabilities" question, FSAM utilizes SS&C Technologies' CAMRA investment accounting and portfolio management system. The conversion to this system was completed in 2009 and allowed us to significantly upgrade our record keeping and reporting capabilities. FSAM owns the system and pays annual maintenance fees in order to keep the system up to date and supported by our vendor. The system is housed on a network server in our Dallas headquarters office. All data is backed up nightly and stored off-site. All of our IT systems are managed by a professional IT staff. Firm wide, *FirstSouthwest employs more than 30 professionals dedicated to information technology.* FirstSouthwest also has extensive disaster recovery plans, including a backup electrical generator and redundant off-site systems.



**6. Describe your system security features designed to control access to client data.**

We do not store any sensitive client data on our systems. There are no account numbers, tax identification or social security numbers on our system. This greatly reduces the security risk for client data. Beyond that, the firm has implemented an extensive network security plan, including passwords, encryption, anti-virus software and other processes. The CAMRA system data is further protected by an additional layer of password protection and user level access rights which control which individuals have access to potentially sensitive data. As stated above, we have a very large IT staff dedicated to the protection of our computer systems.

**7. Describe the quality control procedures your firm has in place. What types of reconciliation and editing do you perform? How do you resolve data discrepancies?**

We have instituted a number of measures to ensure accurate data. Trade and security data is not entered by the same person who executed the trade. The information input into the system is checked for accuracy by our reporting coordinator and then reviewed a second time by one of our senior managers. Errors are corrected immediately. Data is then reconciled against safekeeping statements from the clients' banks and subject to compliance review. The combination of these checks and balances has all but eliminated errors in our process.

**F. Fees**

**1. Provide a copy of your firm's fee schedule.**

**a. Include hourly rates for consultant fees for special projects. b. Indicate if there is a minimum annual fee. c. Describe what expenses would be covered through the fee structure. d. Identify any fees that would be deducted from investment earnings. e. Identify any additional or miscellaneous fees that would not be covered through this fee structure that would be required in order to implement the firm's program.**

We typically don't charge additional fees for consulting or special projects, feeling that most requests should fall under our duties as investment advisor. If the City wished for FSAM to provide services that extended beyond the normal scope of work, the hourly rate would be \$500.

The current fee schedule for the City of Peoria calls for an asset-based fee, based on the dollar amount of assets under management. At present, this fee is four(4) basis points (0.04% or 1/25<sup>th</sup> of 1%) on the first \$100 million of assets, and three(3) basis points (0.03%) on any amount over \$100 million. We propose to lower this fee by including an additional breakpoint of 2½ basis points on amounts in excess of \$200 million. On a portfolio balance of approximately \$330 million, the proposed fee represents an annual decrease of approximately 6% from the existing terms.

This fee includes all services contemplated under this RFP. All expenses, including reasonable travel expenses are included in this amount. There would be no other direct charges from FSAM. The City would be responsible for banking and safekeeping charges assessed by its independent financial institution.

**2. Are fees charged when there is no activity in the account?**

The fee is not dependent on activity in the account and is instead based on the total assets being managed. As a result, fees will be assessed whether or not there is activity in the account.

**3. Provide details of any revenue sharing, finder's fees, expense reduction, or other arrangements which may be derived from directing the investment of client's funds. Will these be allocated to offset the fees to expenses payable by (the entity)?**

Aside from the direct compensation paid by the City, there are no other sources of revenue, finder's fees, commissions, credits or expenses. As such, there are no offsets to the expenses.

**4. Please provide a quarterly fee and the calculations used to determine that fee based on the portfolio of approximately \$330 million included as Attachment A.**

The quarterly fee based on the proposed schedule would be \$25,625. The calculation is as follows:

Billing Tier	Annual Fee	Quarterly Fee = Annual ÷ 4	Portfolio Balance	Quarterly Fee Amount
Tier 1	0.040%	0.01000%	\$ 100,000,000	\$ 10,000,000
Tier 2	0.030%	0.00750%	\$ 100,000,000	\$ 7,500,000
Tier 3	0.025%	0.00625%	\$ 130,000,000	\$ 8,125,000
<b>Totals:</b>			<b>\$ 330,000,000</b>	<b>\$ 25,625.00</b>

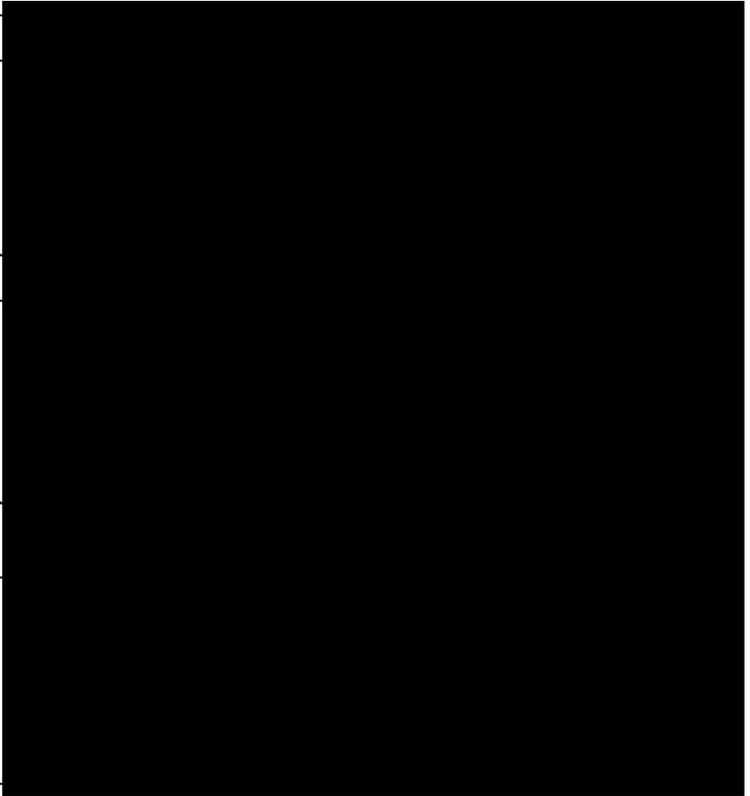


## G. References

**1. Provide three (3) municipal or public agency references, including the length of time your firm has managed their assets, client name, contact personnel, address and phone number and 2. Provide three (3) non-management public references regarding your firm's training and consulting services.**

FSAM believes that strong recommendations from our clients are the most accurate indications of our firm's level of service and expertise. We hope that the City of Peoria will be able to serve as our primary reference, but in addition, we offer the following clients for whom we have provided investment management services that will be helpful in assessing our ability to serve the City.

The following individuals can attest to FSAM's training and consulting experience and abilities.



**THE REFERENCES ABOVE ARE CONSIDERED CONFIDENTIAL INFORMATION AND MAY NOT BE DISTRIBUTED AS PART OF ANY OPEN RECORDS REQUEST OR OTHERWISE DISSEMINATED WITHOUT OUR PRIOR WRITTEN CONSENT.**

City of Peoria

# Appendix A

Sample Reports

# Appendix A





## Investment Portfolio Summary

**City of Peoria**



**For the Month Ended**

**February 29, 2012**

Prepared by  
FirstSouthwest Asset Management

### Report Name

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Executive Summary

Benchmark Comparison

Detail of Security Holdings

Change in Value

Earned Income

Investment Transactions

Amortization and Accretion

Projected Fixed Income Cash Flows

#### MARKET RECAP:

The U.S. economy continues to show signs of improvement, and although growth has been modest by historical standards, it is nonetheless growth. That's something we should be thankful for, particularly in light of the situation in Europe, which appears to be headed for a recession in large part due to the fiscal austerity measures being imposed by creditors on over-indebted governments. The irony of course is that the economic contraction being caused by this austerity is going to make it more difficult for those countries to repay their debts. Meanwhile, the U.S. appears to be on the brink of a virtuous cycle of self reinforcing economic expansion. The January payroll report exceeded all estimates with 243k new jobs while both November and December data were revised higher. The unemployment rate dropped again, falling to 8.3%. Weekly first time claims for unemployment benefits have fallen to the lowest levels since March 2008. Even the depressed housing market is showing signs of life. Existing home sales rose 4.3% in January while the supply of existing homes available for sale reached a six-year low. New home sales also advanced and the supply of new homes available for sale fell to the lowest on record. Sub-4% mortgage rates, an improving job market, and a concerted effort to clear foreclosures are having a positive effect on housing. With the Federal Reserve pledging to keep its foot on the accelerator, there is good reason to be optimistic about the outlook.

Perhaps the biggest risk to the economy going forward is gasoline prices. If this sounds familiar, it should. A year ago, things in the domestic economy were looking up before social unrest in the Mideast sent gas prices above \$4 per gallon and the economy reeling. Once again, escalating tensions in the Mideast, particularly with Iran, are sending oil and gas prices sharply higher. The price of West Texas Crude has risen above \$108 per barrel, the highest level in over a year. Pump prices are up more than 30 cents per gallon since the year began, which translates into roughly \$40 billion less in consumers' pockets over a year's time. This is one dark cloud that could rain on the economy's parade. Prepare for sunshine, but keep those umbrellas handy.

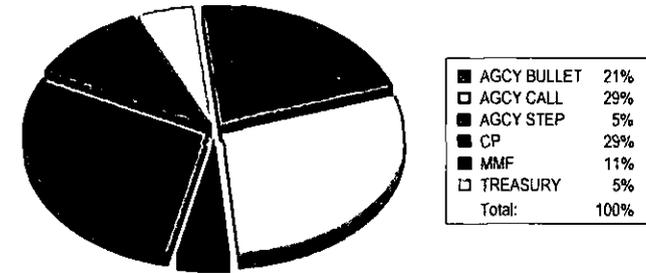
**Account Summary**

**Allocation by Security Type**

Beginning Values as of 01/31/12

Ending Values as of 02/29/12

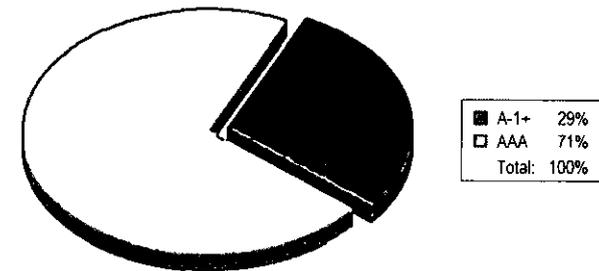
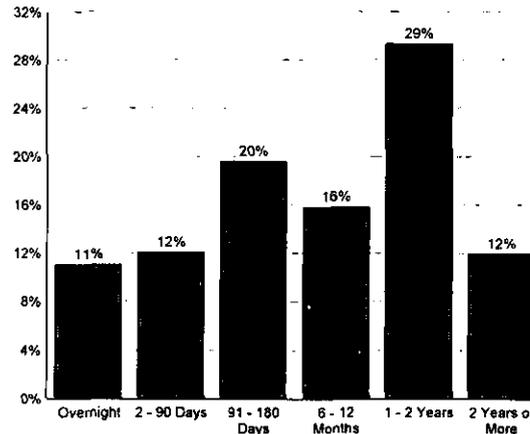
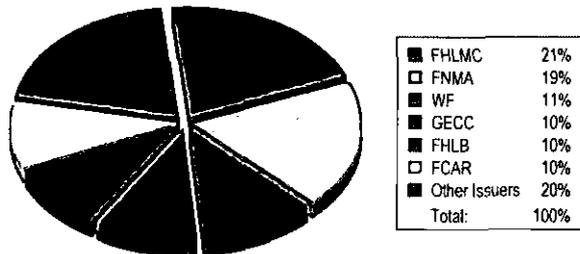
Par Value	314,145,561.74	318,269,795.17
Market Value	314,548,075.74	318,542,999.67
Book Value	314,456,826.07	318,471,744.50
Unrealized Gain / Loss	91,249.67	71,255.17
Market Value %	100.13%	100.09%
Weighted Avg. YTW	0.417%	0.439%
Weighted Avg. YTM	0.517%	0.510%



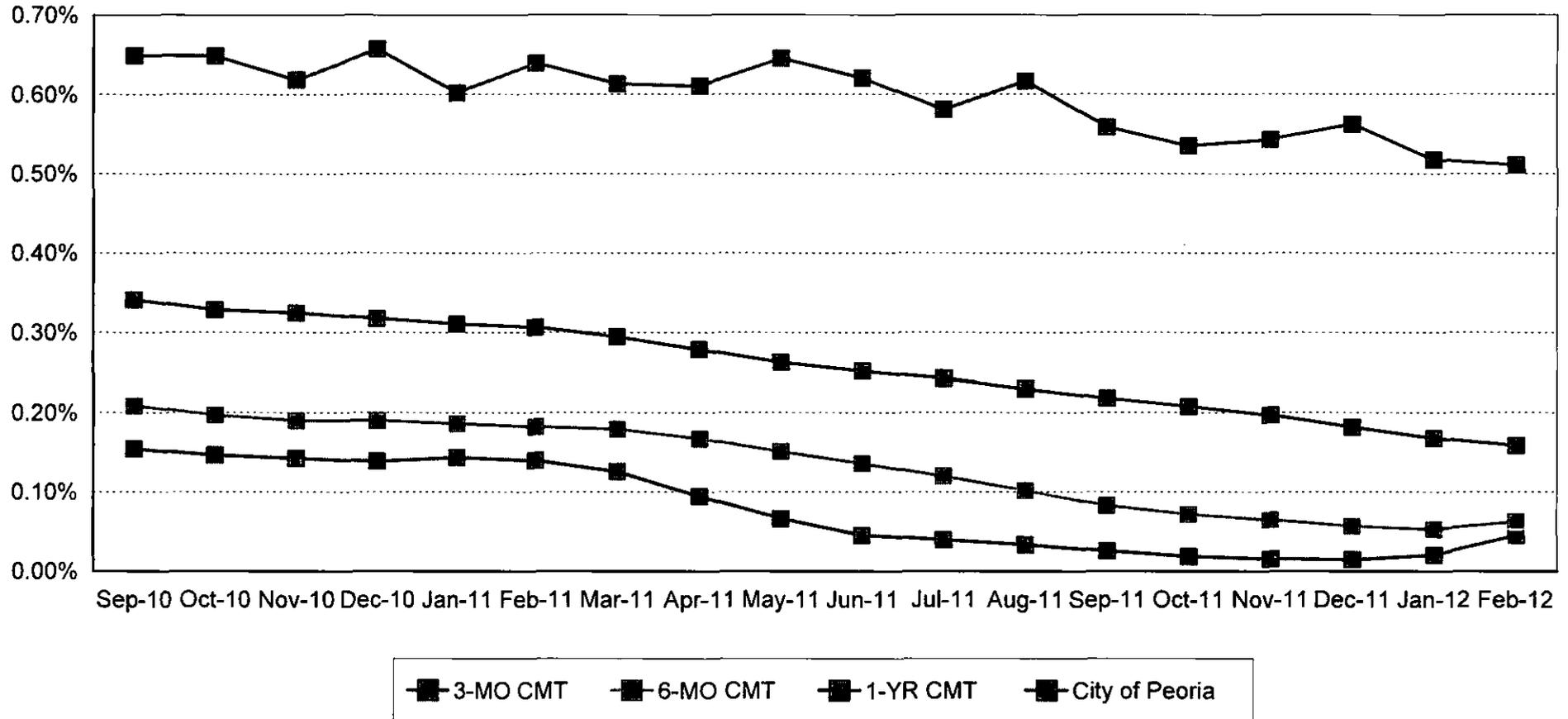
**Allocation by Issuer**

**Maturity Distribution %**

**Credit Quality**



**Weighted Average Days to Maturity: 358**



**Note 1:** CMT stands for Constant Maturity Treasury. This data is published in Federal Reserve Statistical Release H.15 and represents an average of all actively traded Treasury securities having that time remaining until maturity. This is a standard industry benchmark for Treasury securities. The CMT benchmarks are moving averages. The 3-month CMT is the daily average for the previous 3 months, the 6-month CMT is the daily average for the previous 6 months, and the 1-year and 2-year CMT's are the daily averages for the previous 12-months.

CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Next Call	Call Type	Par Value	Purch Price	Orig Cost	Book Value	Mkt Price	Market Value	Days to Mty	Days to Call	YTM	YTW
<b>General Fund</b>																	
WF-ADVG0V		MMF	Wells Fargo Adv Govt MMF					28,851,158.47	100.000	28,851,158.47	28,851,158.47	100.000	28,851,158.47	1		0.010	0.010
36959HC70	08/30/11	CP - DISC	GE Capital Corp		03/07/12			8,000,000.00	99.836	7,986,911.11	7,999,586.64	99.997	7,999,768.00	7		0.311	0.311
36959HDC8	09/23/11	CP - DISC	GE Capital Corp		04/12/12			5,000,000.00	99.809	4,990,461.11	4,998,016.65	99.988	4,999,405.00	43		0.341	0.341
3024A0DL6	10/24/11	CP - DISC	FCAR Owner Trust		04/20/12			8,000,000.00	99.776	7,982,100.00	7,995,000.00	99.982	7,998,528.00	51		0.451	0.451
89233GEV4	09/02/11	CP - DISC	Toyota Mtr Cr		05/29/12			10,000,000.00	99.618	9,961,750.00	9,987,391.70	99.943	9,994,250.00	90		0.512	0.512
3024A0FE0	11/18/11	CP - DISC	FCAR Owner Trust		06/14/12			2,500,000.00	99.710	2,492,743.06	2,496,354.18	99.932	2,498,307.50	106		0.501	0.501
3137EACC1	05/17/11	AGCY BULET	FHLMC	1.750	06/15/12			6,000,000.00	101.603	6,096,180.00	6,025,800.72	100.470	6,028,200.00	107		0.260	0.260
912828KX7	03/23/11	TREAS NOTE	U.S. Treasury	1.875	06/15/12			10,000,000.00	101.848	10,184,765.63	10,043,541.60	100.510	10,051,000.00	107		0.369	0.369
31398AP71	05/24/11	AGCY BULET	FNMA	1.250	06/22/12			12,000,000.00	101.065	12,127,800.00	12,036,590.64	100.350	12,042,000.00	114		0.260	0.260
36959HFU6	12/12/11	CP - DISC	GE Capital Corp		06/28/12			8,000,000.00	99.790	7,983,195.56	7,989,951.12	99.903	7,992,264.00	120		0.381	0.381
3024A0H65	11/10/11	CP - DISC	FCAR Owner Trust		08/06/12			10,000,000.00	99.550	9,955,000.00	9,973,666.70	99.832	9,983,220.00	159		0.603	0.603
36959HH75	02/09/12	CP - DISC	GE Capital Corp		08/07/12			8,000,000.00	99.840	7,987,200.00	7,988,693.36	99.840	7,987,200.00	160		0.321	0.321
31331JY56	09/23/11	AGCY BULET	FFCB	0.400	11/02/12			5,000,000.00	100.173	5,008,650.00	5,005,227.55	100.140	5,007,000.00	247		0.244	0.244
89233GL53	02/10/12	CP - DISC	Toyota Mtr Cr		11/05/12			5,000,000.00	99.559	4,977,956.94	4,979,595.85	99.590	4,979,515.00	250		0.593	0.593
3024A0L94	02/14/12	CP - DISC	FCAR Owner Trust		11/09/12			4,000,000.00	99.537	3,981,468.89	3,982,571.12	99.584	3,983,348.00	254		0.623	0.623
3024A0L94	02/16/12	CP - DISC	FCAR Owner Trust		11/09/12			4,000,000.00	99.540	3,981,606.67	3,982,571.12	99.584	3,983,348.00	254		0.623	0.623
89233GL95	02/17/12	CP - DISC	Toyota Mtr Cr		11/09/12			6,000,000.00	99.535	5,972,070.00	5,973,435.00	99.584	5,975,022.00	254		0.633	0.633
313376HQ1	12/20/11	AGCY BULET	FHLB	0.210	12/10/12			6,000,000.00	100.016	6,000,978.00	6,000,779.76	100.010	6,000,600.00	285		0.193	0.193
3137EACQ0	12/20/11	AGCY BULET	FHLMC	0.625	12/28/12			9,580,000.00	100.438	9,621,941.24	9,613,854.09	100.340	9,612,572.00	303		0.196	0.196
31331KGC8	05/26/11	AGCY CALL	FFCB	0.840	04/04/13	04/04/12	CONT	10,000,000.00	100.258	10,025,750.00	10,002,762.80	100.050	10,005,000.00	400	35	0.700	0.538
31331JPK3	01/30/12	AGCY BULET	FFCB	1.375	06/25/13			4,465,000.00	101.627	4,537,650.02	4,533,195.42	101.530	4,533,314.50	482		0.213	0.213
313376GY5	01/23/12	AGCY BULET	FHLB	0.330	07/01/13			10,000,000.00	100.084	10,008,400.00	10,007,785.30	100.040	10,004,000.00	488		0.271	0.271
3134G2SQ6	07/26/11	AGCY STEP	FHLMC	0.400	07/26/13	07/26/12	ONE TIME	10,000,000.00	100.000	10,000,000.00	10,000,000.00	99.990	9,999,000.00	513	148	0.699	0.400
3136FPGA9	10/19/11	AGCY CALL	FNMA	1.000	09/20/13	09/20/12	ONE TIME	8,000,000.00	100.558	8,044,640.00	8,026,857.84	100.070	8,005,600.00	569	204	0.707	0.391
3134G2L34	09/30/11	AGCY CALL	FHLMC	0.550	09/30/13	03/30/12	QRTLY	10,000,000.00	99.960	9,996,000.00	9,996,835.30	100.020	10,002,000.00	579	30	0.570	0.570
3135G0EU3	10/25/11	AGCY CALL	FNMA	0.625	10/25/13	10/25/12	QRTLY	8,000,000.00	100.000	8,000,000.00	8,000,000.00	100.100	8,008,000.00	604	239	0.625	0.625
3135G0FG3	01/19/12	AGCY CALL	FNMA	0.600	11/14/13	11/14/12	ONE TIME	10,000,000.00	100.266	10,026,600.00	10,022,816.50	100.090	10,009,000.00	624	259	0.453	0.275
3135G0FS7	11/29/11	AGCY CALL	FNMA	0.600	11/21/13	11/21/12	QRTLY	5,000,000.00	99.850	4,992,500.00	4,993,463.75	99.990	4,999,500.00	631	266	0.676	0.676
3134G3BF6	02/09/12	AGCY BULET	FHLMC	0.625	12/23/13			10,000,000.00	100.548	10,054,820.00	10,053,035.70	100.570	10,057,000.00	663		0.331	0.331
3134G3MM9	02/27/12	AGCY CALL	FHLMC	0.400	02/27/14	02/27/13	ONE TIME	8,000,000.00	100.000	8,000,000.00	8,000,000.00	99.970	7,997,600.00	729	364	0.400	0.400
3136FRZ4	05/23/11	AGCY CALL	FNMA	1.250	05/23/14	05/23/12	ONE TIME	8,225,000.00	99.980	8,223,355.00	8,223,772.75	100.200	8,241,450.00	814	84	1.257	1.257
3134G2H39	09/29/11	AGCY CALL	FHLMC	0.800	09/29/14	03/29/12	QRTLY	6,955,000.00	100.000	6,955,000.00	6,955,000.00	100.050	6,958,477.50	943	29	0.800	0.800
3135G0EM1	11/07/11	AGCY CALL	FNMA	1.000	11/07/14	11/07/12	QRTLY	5,000,000.00	100.000	5,000,000.00	5,000,000.00	100.220	5,011,000.00	982	252	1.000	1.000
3134G3BL3	12/05/11	AGCY CALL	FHLMC	1.000	12/05/14	12/05/12	QRTLY	5,000,000.00	100.000	5,000,000.00	5,000,000.00	100.190	5,009,500.00	1,010	280	1.000	1.000

CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Next Call	Call Type	Par Value	Purch Price	Orig Cost	Book Value	Mkt Price	Market Value	Days to Mty	Days to Call	YTM	YTW
<b>General Fund</b>																	
3133XW4A4	08/26/11	AGCY STEP	FHLB	2.000	12/24/14	12/24/12	ONE TIME	4,800,000.00	102.049	4,898,352.00	4,860,354.29	101.040	4,849,920.00	1,029	299	2.535	0.450
313373BT8	05/10/11	AGCY CALL	FHLB	2.000	04/20/15	04/20/12	ONE TIME	8,000,000.00	100.561	8,044,880.00	8,006,492.00	100.160	8,012,800.00	1,146	51	1.852	1.400
<b>Total for General Fund</b>								<b>287,376,158.47</b>	<b>100.202</b>	<b>287,951,883.70</b>	<b>287,606,157.92</b>	<b>100.103</b>	<b>287,669,867.97</b>	<b>383</b>		<b>0.528</b>	<b>0.449</b>
<b>GO Bond - Series 2007 A</b>																	
WF-ADVG0V		MMF	Wells Fargo Adv Govt MMF					1,284,442.82	100.000	1,284,442.82	1,284,442.82	100.000	1,284,442.82	1		0.010	0.010
912828NB2	04/13/11	TREAS NOTE	U.S. Treasury	1.000	04/30/12			1,500,000.00	100.727	1,510,898.44	1,501,717.37	100.140	1,502,100.00	61		0.304	0.304
<b>Total for GO Bond - Series 2007 A</b>								<b>2,784,442.82</b>	<b>100.392</b>	<b>2,795,341.26</b>	<b>2,786,160.19</b>	<b>100.075</b>	<b>2,786,542.82</b>	<b>33</b>		<b>0.169</b>	<b>0.169</b>
<b>GO Bond - Series 2009</b>																	
WF-ADVG0V		MMF	Wells Fargo Adv Govt MMF					2,457,541.94	100.000	2,457,541.94	2,457,541.94	100.000	2,457,541.94	1		0.010	0.010
3024A0DL6	10/24/11	CP - DISC	FCAR Owner Trust		04/20/12			2,000,000.00	99.776	1,995,525.00	1,998,750.00	99.982	1,999,632.00	51		0.451	0.451
912828NB2	04/13/11	TREAS NOTE	U.S. Treasury	1.000	04/30/12			4,000,000.00	100.727	4,029,062.50	4,004,579.64	100.140	4,005,600.00	61		0.304	0.304
36959HH75	02/09/12	CP - DISC	GE Capital Corp		08/07/12			3,000,000.00	99.840	2,995,200.00	2,995,760.01	99.840	2,995,200.00	160		0.321	0.321
89233GL95	02/17/12	CP - DISC	Toyota Mtr Cr		11/09/12			4,000,000.00	99.535	3,981,380.00	3,982,290.00	99.584	3,983,348.00	254		0.633	0.633
313376HQ1	12/20/11	AGCY BULET	FHLB	0.210	12/10/12			2,000,000.00	100.016	2,000,326.00	2,000,259.92	100.010	2,000,200.00	285		0.193	0.193
<b>Total for GO Bond - Series 2009</b>								<b>17,457,541.94</b>	<b>100.009</b>	<b>17,459,035.44</b>	<b>17,439,181.51</b>	<b>99.909</b>	<b>17,441,521.94</b>	<b>138</b>		<b>0.345</b>	<b>0.345</b>
<b>GO Bond - Series 2010</b>																	
WF-ADVG0V		MMF	Wells Fargo Adv Govt MMF					2,651,651.94	100.000	2,651,651.94	2,651,651.94	100.000	2,651,651.94	1		0.010	0.010
31398AP71	05/24/11	AGCY BULET	FNMA	1.250	06/22/12			3,000,000.00	101.065	3,031,950.00	3,009,147.66	100.350	3,010,500.00	114		0.260	0.260
89233GJ49	12/12/11	CP - DISC	Toyota Mtr Cr		09/04/12			2,000,000.00	99.481	1,989,616.67	1,992,727.78	99.770	1,995,404.00	188		0.704	0.704
89233GL95	02/17/12	CP - DISC	Toyota Mtr Cr		11/09/12			3,000,000.00	99.535	2,986,035.00	2,986,717.50	99.584	2,987,511.00	254		0.633	0.633
<b>Total for GO Bond - Series 2010</b>								<b>10,651,651.94</b>	<b>100.073</b>	<b>10,659,253.61</b>	<b>10,640,244.88</b>	<b>99.939</b>	<b>10,645,066.94</b>	<b>139</b>		<b>0.385</b>	<b>0.385</b>

CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Next Call	Call Type	Par Value	Purch Price	Orig Cost	Book Value	Mkt Price	Market Value	Days to Mty	Days to Call	YTM	YTW
<b>Total for City of Peoria</b>								318,269,795.17	100.189	318,865,514.01	318,471,744.50	100.087	318,542,999.67	358		0.510	0.439

CUSIP	Security Type	Security Description	01/31/12 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	02/29/12 Book Value	01/31/12 Market Value	02/29/12 Market Value	Change in Mkt Value
<b>General Fund</b>											
WF-ADVGOV	MMF	Wells Fargo Adv Govt MMF	32,764,379.24	0.00	(3,913,220.77)	0.00	0.00	28,851,158.47	32,764,379.24	28,851,158.47	(3,913,220.77)
36959HB97	CP - DISC	GE Capital Corp 0.000 02/09/12	7,999,573.36	0.00	(8,000,000.00)	426.64	0.00	0.00	7,999,784.00	0.00	(7,999,784.00)
89233GBA3	CP - DISC	Toyota Mtr Cr 0.000 02/10/12	4,999,550.00	0.00	(5,000,000.00)	450.00	0.00	0.00	4,999,720.00	0.00	(4,999,720.00)
89233GBH8	CP - DISC	Toyota Mtr Cr 0.000 02/17/12	5,998,960.02	0.00	(6,000,000.00)	1,039.98	0.00	0.00	5,999,436.00	0.00	(5,999,436.00)
36959HC70	CP - DISC	GE Capital Corp 0.000 03/07/12	7,997,588.88	0.00	0.00	1,997.76	0.00	7,999,586.64	7,998,960.00	7,999,768.00	808.00
36959HDC8	CP - DISC	GE Capital Corp 0.000 04/12/12	4,996,647.20	0.00	0.00	1,369.45	0.00	4,998,016.65	4,998,300.00	4,999,405.00	1,105.00
3024A0DL6	CP - DISC	FCAR Owner Trust 0.000 04/20/12	7,992,100.00	0.00	0.00	2,900.00	0.00	7,995,000.00	7,993,776.00	7,998,528.00	4,752.00
89233GEV4	CP - DISC	Toyota Mtr Cr 0.000 05/29/12	9,983,283.30	0.00	0.00	4,108.40	0.00	9,987,391.70	9,993,390.00	9,994,250.00	860.00
3024A0FE0	CP - DISC	FCAR Owner Trust 0.000 06/14/12	2,495,347.23	0.00	0.00	1,006.95	0.00	2,496,354.18	2,495,782.50	2,498,307.50	2,525.00
3137EACC1	AGCY BULET	FHLMC 1.750 06/15/12	6,033,243.24	0.00	0.00	(7,442.52)	0.00	6,025,800.72	6,037,200.00	6,028,200.00	(9,000.00)
912828KX7	TREAS NOTE	U.S. Treasury 1.875 06/15/12	10,065,453.90	0.00	0.00	(11,912.30)	0.00	10,043,541.60	10,066,000.00	10,051,000.00	(15,000.00)
31398AP71	AGCY BULET	FNMA 1.250 06/22/12	12,046,479.96	0.00	0.00	(9,889.32)	0.00	12,036,590.64	12,054,000.00	12,042,000.00	(12,000.00)
36959HFU6	CP - DISC	GE Capital Corp 0.000 06/28/12	7,987,502.24	0.00	0.00	2,448.88	0.00	7,989,951.12	7,989,072.00	7,992,264.00	3,192.00
3024A0H65	CP - DISC	FCAR Owner Trust 0.000 08/06/12	9,968,833.30	0.00	0.00	4,833.40	0.00	9,973,666.70	9,968,670.00	9,983,220.00	14,550.00
36959HH75	CP - DISC	GE Capital Corp 0.000 08/07/12	0.00	7,987,200.00	0.00	1,493.36	0.00	7,988,693.36	0.00	7,987,200.00	7,987,200.00
31331JY56	AGCY BULET	FFCB 0.400 11/02/12	5,005,877.70	0.00	0.00	(650.15)	0.00	5,005,227.55	5,006,000.00	5,007,000.00	1,000.00
89233GL53	CP - DISC	Toyota Mtr Cr 0.000 11/05/12	0.00	4,977,956.94	0.00	1,638.91	0.00	4,979,595.85	0.00	4,979,515.00	4,979,515.00
3024A0L94	CP - DISC	FCAR Owner Trust 0.000 11/09/12	0.00	7,963,075.56	0.00	2,066.68	0.00	7,965,142.24	0.00	7,966,696.00	7,966,696.00
89233GL95	CP - DISC	Toyota Mtr Cr 0.000 11/09/12	0.00	5,972,070.00	0.00	1,365.00	0.00	5,973,435.00	0.00	5,975,022.00	5,975,022.00
313376HQ1	AGCY BULET	FHLB 0.210 12/10/12	6,000,863.52	0.00	0.00	(83.76)	0.00	6,000,779.76	6,001,800.00	6,000,600.00	(1,200.00)
3137EACQ0	AGCY BULET	FHLMC 0.625 12/28/12	9,617,271.66	0.00	0.00	(3,417.57)	0.00	9,613,854.09	9,619,278.00	9,612,572.00	(6,706.00)
31331KGC8	AGCY CALL	FFCB 0.840 04/04/13	10,005,274.40	0.00	0.00	(2,511.60)	0.00	10,002,762.80	10,010,000.00	10,005,000.00	(5,000.00)
31331JPK3	AGCY BULET	FFCB 1.375 06/25/13	4,537,506.33	0.00	0.00	(4,310.91)	0.00	4,533,195.42	4,536,886.50	4,533,314.50	(3,572.00)
313376GY5	AGCY BULET	FHLB 0.330 07/01/13	10,008,270.60	0.00	0.00	(485.30)	0.00	10,007,785.30	10,003,000.00	10,004,000.00	1,000.00
3134G2SQ6	AGCY STEP	FHLMC 0.400 07/26/13	10,000,000.00	0.00	0.00	0.00	0.00	10,000,000.00	9,996,000.00	9,999,000.00	3,000.00
31331KXS4	AGCY CALL	FFCB 0.470 09/06/13	9,994,004.70	0.00	(10,000,000.00)	5,995.30	0.00	0.00	10,000,000.00	0.00	(10,000,000.00)
3136FPGA9	AGCY CALL	FNMA 1.000 09/20/13	8,030,899.28	0.00	0.00	(4,041.44)	0.00	8,026,857.84	8,007,200.00	8,005,600.00	(1,600.00)
3134G2L34	AGCY CALL	FHLMC 0.550 09/30/13	9,996,669.40	0.00	0.00	165.90	0.00	9,996,835.30	10,000,000.00	10,002,000.00	2,000.00
3135G0EU3	AGCY CALL	FNMA 0.625 10/25/13	8,000,000.00	0.00	0.00	0.00	0.00	8,000,000.00	8,009,600.00	8,008,000.00	(1,600.00)
3135G0FG3	AGCY CALL	FNMA 0.600 11/14/13	10,025,519.00	0.00	0.00	(2,702.50)	0.00	10,022,816.50	10,011,000.00	10,009,000.00	(2,000.00)
3135G0FS7	AGCY CALL	FNMA 0.600 11/21/13	4,993,149.50	0.00	0.00	314.25	0.00	4,993,463.75	5,000,500.00	4,999,500.00	(1,000.00)
3134G3BF6	AGCY BULET	FHLMC 0.625 12/23/13	0.00	10,054,820.00	0.00	(1,784.30)	0.00	10,053,035.70	0.00	10,057,000.00	10,057,000.00
3136FP6Y8	AGCY STEP	FNMA 1.250 02/14/14	8,000,718.08	0.00	(8,000,000.00)	(718.08)	0.00	0.00	8,001,600.00	0.00	(8,001,600.00)

CUSIP	Security Type	Security Description	01/31/12 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	02/29/12 Book Value	01/31/12 Market Value	02/29/12 Market Value	Change in Mkt Value
<b>General Fund</b>											
3134G3MM9	AGCY CALL	FHLMC 0.400 02/27/14	0.00	8,000,000.00	0.00	0.00	0.00	8,000,000.00	0.00	7,997,600.00	7,997,600.00
3136FRLZ4	AGCY CALL	FNMA 1.250 05/23/14	8,223,727.51	0.00	0.00	45.24	0.00	8,223,772.75	8,245,562.50	8,241,450.00	(4,112.50)
3134G2H39	AGCY CALL	FHLMC 0.800 09/29/14	6,955,000.00	0.00	0.00	0.00	0.00	6,955,000.00	6,959,868.50	6,958,477.50	(1,391.00)
3135G0EM1	AGCY CALL	FNMA 1.000 11/07/14	5,000,000.00	0.00	0.00	0.00	0.00	5,000,000.00	5,014,000.00	5,011,000.00	(3,000.00)
3134G3BL3	AGCY CALL	FHLMC 1.000 12/05/14	5,000,000.00	0.00	0.00	0.00	0.00	5,000,000.00	5,014,000.00	5,009,500.00	(4,500.00)
3133XW4A4	AGCY STEP	FHLB 2.000 12/24/14	4,866,525.41	0.00	0.00	(6,171.12)	0.00	4,860,354.29	4,856,640.00	4,849,920.00	(6,720.00)
313373BT8	AGCY CALL	FHLB 2.000 04/20/15	8,010,466.72	0.00	0.00	(3,974.72)	0.00	8,006,492.00	8,020,800.00	8,012,800.00	(8,000.00)
<b>Total for General Fund</b>			<b>283,590,685.68</b>	<b>44,955,122.50</b>	<b>(40,913,220.77)</b>	<b>(26,429.49)</b>	<b>0.00</b>	<b>287,606,157.92</b>	<b>283,672,205.24</b>	<b>287,669,867.97</b>	<b>3,997,662.73</b>
<b>GO Bond - Series 2007 A</b>											
WF-ADVG0V	MMF	Wells Fargo Adv Govt MMF	1,284,430.55	12.27	0.00	0.00	0.00	1,284,442.82	1,284,430.55	1,284,442.82	12.27
912828NB2	TREAS NOTE	U.S. Treasury 1.000 04/30/12	1,502,547.44	0.00	0.00	(830.07)	0.00	1,501,717.37	1,503,450.00	1,502,100.00	(1,350.00)
<b>Total for GO Bond - Series 2007 A</b>			<b>2,786,977.99</b>	<b>12.27</b>	<b>0.00</b>	<b>(830.07)</b>	<b>0.00</b>	<b>2,786,160.19</b>	<b>2,787,880.55</b>	<b>2,786,542.82</b>	<b>(1,337.73)</b>
<b>GO Bond - Series 2009</b>											
WF-ADVG0V	MMF	Wells Fargo Adv Govt MMF	7,434,085.55	0.00	(4,976,543.61)	0.00	0.00	2,457,541.94	7,434,085.55	2,457,541.94	(4,976,543.61)
89233GBH8	CP - DISC	Toyota Mtr Cr 0.000 02/17/12	1,999,653.34	0.00	(2,000,000.00)	346.66	0.00	0.00	1,999,812.00	0.00	(1,999,812.00)
3024A0DL6	CP - DISC	FCAR Owner Trust 0.000 04/20/12	1,998,025.00	0.00	0.00	725.00	0.00	1,998,750.00	1,998,444.00	1,999,632.00	1,188.00
912828NB2	TREAS NOTE	U.S. Treasury 1.000 04/30/12	4,006,793.16	0.00	0.00	(2,213.52)	0.00	4,004,579.64	4,009,200.00	4,005,600.00	(3,600.00)
36959HH75	CP - DISC	GE Capital Corp 0.000 08/07/12	0.00	2,995,200.00	0.00	560.01	0.00	2,995,760.01	0.00	2,995,200.00	2,995,200.00
89233GL95	CP - DISC	Toyota Mtr Cr 0.000 11/09/12	0.00	3,981,380.00	0.00	910.00	0.00	3,982,290.00	0.00	3,983,348.00	3,983,348.00
313376HQ1	AGCY BULET	FHLB 0.210 12/10/12	2,000,287.84	0.00	0.00	(27.92)	0.00	2,000,259.92	2,000,600.00	2,000,200.00	(400.00)
<b>Total for GO Bond - Series 2009</b>			<b>17,438,844.89</b>	<b>6,976,580.00</b>	<b>(6,976,543.61)</b>	<b>300.23</b>	<b>0.00</b>	<b>17,439,181.51</b>	<b>17,442,141.55</b>	<b>17,441,521.94</b>	<b>(619.61)</b>

CUSIP	Security Type	Security Description	01/31/12 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	02/29/12 Book Value	01/31/12 Market Value	02/29/12 Market Value	Change in Mkt Value
<b>GO Bond - Series 2010</b>											
WF-ADVGOV	MMF	Wells Fargo Adv Govt MMF	1,637,666.40	1,013,985.54	0.00	0.00	0.00	2,651,651.94	1,637,666.40	2,651,651.94	1,013,985.54
89233GBH8	CP - DISC	Toyota Mtr Cr 0.000 02/17/12	3,999,431.12	0.00	(4,000,000.00)	568.88	0.00	0.00	3,999,624.00	0.00	(3,999,624.00)
31398AP71	AGCY BULET	FNMA 1.250 06/22/12	3,011,619.99	0.00	0.00	(2,472.33)	0.00	3,009,147.66	3,013,500.00	3,010,500.00	(3,000.00)
89233GJ49	CP - DISC	Toyota Mtr Cr 0.000 09/04/12	1,991,600.00	0.00	0.00	1,127.78	0.00	1,992,727.78	1,995,058.00	1,995,404.00	346.00
89233GL95	CP - DISC	Toyota Mtr Cr 0.000 11/09/12	0.00	2,986,035.00	0.00	682.50	0.00	2,986,717.50	0.00	2,987,511.00	2,987,511.00
<b>Total for GO Bond - Series 2010</b>			<b>10,640,317.51</b>	<b>4,000,020.54</b>	<b>(4,000,000.00)</b>	<b>(93.17)</b>	<b>0.00</b>	<b>10,640,244.88</b>	<b>10,645,848.40</b>	<b>10,645,066.94</b>	<b>(781.46)</b>
<b>Total for City of Peoria</b>			<b>314,456,826.07</b>	<b>55,931,735.31</b>	<b>(51,889,764.38)</b>	<b>(27,052.50)</b>	<b>0.00</b>	<b>318,471,744.50</b>	<b>314,548,075.74</b>	<b>318,542,999.67</b>	<b>3,994,923.93</b>

CUSIP	Security Type	Security Description	Beg. Accrued	Interest Earned	Interest Rec'd / Sold / Matured	Interest Purchased	Ending Accrued	Disc Accr / Prem Amort	Net Income
<b>General Fund</b>									
WF-ADVG0V	MMF	Wells Fargo Adv Govt MMF	304.51	295.22	304.51	0.00	295.22	0.00	295.22
36959HB97	CP - DISC	GE Capital Corp 0.000 02/09/12	0.00	0.00	0.00	0.00	0.00	426.64	426.64
89233GBA3	CP - DISC	Toyota Mtr Cr 0.000 02/10/12	0.00	0.00	0.00	0.00	0.00	450.00	450.00
89233GBH8	CP - DISC	Toyota Mtr Cr 0.000 02/17/12	0.00	0.00	0.00	0.00	0.00	1,039.98	1,039.98
36959HC70	CP - DISC	GE Capital Corp 0.000 03/07/12	0.00	0.00	0.00	0.00	0.00	1,997.76	1,997.76
36959HDC8	CP - DISC	GE Capital Corp 0.000 04/12/12	0.00	0.00	0.00	0.00	0.00	1,369.45	1,369.45
3024A0DL6	CP - DISC	FCAR Owner Trust 0.000 04/20/12	0.00	0.00	0.00	0.00	0.00	2,900.00	2,900.00
89233GEV4	CP - DISC	Toyota Mtr Cr 0.000 05/29/12	0.00	0.00	0.00	0.00	0.00	4,108.40	4,108.40
3024A0FE0	CP - DISC	FCAR Owner Trust 0.000 06/14/12	0.00	0.00	0.00	0.00	0.00	1,006.95	1,006.95
3137EACC1	AGCY BULET	FHLMC 1.750 06/15/12	13,416.67	8,750.00	0.00	0.00	22,166.67	(7,442.52)	1,307.48
912828KX7	TREAS NOTE	U.S. Treasury 1.875 06/15/12	24,590.16	14,856.56	0.00	0.00	39,446.72	(11,912.30)	2,944.26
31398AP71	AGCY BULET	FNMA 1.250 06/22/12	16,250.00	12,500.00	0.00	0.00	28,750.00	(9,889.32)	2,610.68
36959HFU6	CP - DISC	GE Capital Corp 0.000 06/28/12	0.00	0.00	0.00	0.00	0.00	2,448.88	2,448.88
3024A0H65	CP - DISC	FCAR Owner Trust 0.000 08/06/12	0.00	0.00	0.00	0.00	0.00	4,833.40	4,833.40
36959HH75	CP - DISC	GE Capital Corp 0.000 08/07/12	0.00	0.00	0.00	0.00	0.00	1,493.36	1,493.36
31331JY56	AGCY BULET	FFCB 0.400 11/02/12	4,944.44	1,666.67	0.00	0.00	6,611.11	(650.15)	1,016.52
89233GL53	CP - DISC	Toyota Mtr Cr 0.000 11/05/12	0.00	0.00	0.00	0.00	0.00	1,638.91	1,638.91
3024A0L94	CP - DISC	FCAR Owner Trust 0.000 11/09/12	0.00	0.00	0.00	0.00	0.00	2,066.68	2,066.68
89233GL95	CP - DISC	Toyota Mtr Cr 0.000 11/09/12	0.00	0.00	0.00	0.00	0.00	1,365.00	1,365.00
313376HQ1	AGCY BULET	FHLB 0.210 12/10/12	1,820.00	1,050.00	0.00	0.00	2,870.00	(83.76)	966.24
3137EACQ0	AGCY BULET	FHLMC 0.625 12/28/12	5,488.54	4,989.59	0.00	0.00	10,478.13	(3,417.57)	1,572.02
31331KGC8	AGCY CALL	FFCB 0.840 04/04/13	27,300.00	7,000.00	0.00	0.00	34,300.00	(2,511.60)	4,488.40
31331JPK3	AGCY BULET	FFCB 1.375 06/25/13	6,139.38	5,116.14	0.00	0.00	11,255.52	(4,310.91)	805.23
313376GY5	AGCY BULET	FHLB 0.330 07/01/13	5,591.67	2,750.00	0.00	0.00	8,341.67	(485.30)	2,264.70
3134G2SQ6	AGCY STEP	FHLMC 0.400 07/26/13	555.56	3,333.33	0.00	0.00	3,888.89	0.00	3,333.33
31331KXS4	AGCY CALL	FFCB 0.470 09/06/13	18,930.56	652.77	19,583.33	0.00	0.00	5,995.30	6,648.07
3136FPGA9	AGCY CALL	FNMA 1.000 09/20/13	29,111.11	6,666.67	0.00	0.00	35,777.78	(4,041.44)	2,625.23
3134G2L34	AGCY CALL	FHLMC 0.550 09/30/13	18,486.11	4,583.33	0.00	0.00	23,069.44	165.90	4,749.23
3135G0EU3	AGCY CALL	FNMA 0.625 10/25/13	13,333.33	4,166.67	0.00	0.00	17,500.00	0.00	4,166.67
3135G0FG3	AGCY CALL	FNMA 0.600 11/14/13	12,833.33	5,000.00	0.00	0.00	17,833.33	(2,702.50)	2,297.50
3135G0FS7	AGCY CALL	FNMA 0.600 11/21/13	5,166.67	2,500.00	0.00	0.00	7,666.67	314.25	2,814.25
3134G3BF6	AGCY BULET	FHLMC 0.625 12/23/13	0.00	3,819.45	0.00	(7,986.11)	11,805.56	(1,784.30)	2,035.15
3136FP6Y8	AGCY STEP	FNMA 1.250 02/14/14	27,833.33	2,166.67	30,000.00	0.00	0.00	(718.08)	1,448.59

CUSIP	Security Type	Security Description	Beg. Accrued	Interest Earned	Interest Rec'd / Sold / Matured	Interest Purchased	Ending Accrued	Disc Accr / Prem Amort	Net Income
<b>General Fund</b>									
3134G3MM9	AGCY CALL	FHLMC 0.400 02/27/14	0.00	355.56	0.00	0.00	355.56	0.00	355.56
3136FRLZ4	AGCY CALL	FNMA 1.250 05/23/14	19,420.14	8,567.71	0.00	0.00	27,987.85	45.24	8,612.95
3134G2H39	AGCY CALL	FHLMC 0.800 09/29/14	18,855.78	4,636.66	0.00	0.00	23,492.44	0.00	4,636.66
3135GDEM1	AGCY CALL	FNMA 1.000 11/07/14	11,666.67	4,166.66	0.00	0.00	15,833.33	0.00	4,166.66
3134G3BL3	AGCY CALL	FHLMC 1.000 12/05/14	7,777.78	4,166.66	0.00	0.00	11,944.44	0.00	4,166.66
3133XW4A4	AGCY STEP	FHLB 2.000 12/24/14	9,866.67	8,000.00	0.00	0.00	17,866.67	(6,171.12)	1,828.88
313373BT8	AGCY CALL	FHLB 2.000 04/20/15	44,888.89	13,333.33	0.00	0.00	58,222.22	(3,974.72)	9,358.61
<b>Total for General Fund</b>			<b>344,571.30</b>	<b>135,089.65</b>	<b>49,887.84</b>	<b>(7,986.11)</b>	<b>437,759.22</b>	<b>(26,429.49)</b>	<b>108,660.16</b>
<b>GO Bond - Series 2007 A</b>									
WF-ADVG0V	MMF	Wells Fargo Adv Govt MMF	12.27	10.21	12.27	0.00	10.21	0.00	10.21
912828NB2	TREAS NOTE	U.S. Treasury 1.000 04/30/12	3,832.42	1,195.05	0.00	0.00	5,027.47	(830.07)	364.98
<b>Total for GO Bond - Series 2007 A</b>			<b>3,844.69</b>	<b>1,205.26</b>	<b>12.27</b>	<b>0.00</b>	<b>5,037.68</b>	<b>(830.07)</b>	<b>375.19</b>
<b>GO Bond - Series 2009</b>									
WF-ADVG0V	MMF	Wells Fargo Adv Govt MMF	36.39	34.78	36.39	0.00	34.78	0.00	34.78
89233GBH8	CP - DISC	Toyota Mtr Cr 0.000 02/17/12	0.00	0.00	0.00	0.00	0.00	346.66	346.66
3024A0DL6	CP - DISC	FCAR Owner Trust 0.000 04/20/12	0.00	0.00	0.00	0.00	0.00	725.00	725.00
912828NB2	TREAS NOTE	U.S. Treasury 1.000 04/30/12	10,219.78	3,186.81	0.00	0.00	13,406.59	(2,213.52)	973.29
36959HH75	CP - DISC	GE Capital Corp 0.000 08/07/12	0.00	0.00	0.00	0.00	0.00	560.01	560.01
89233GL95	CP - DISC	Toyota Mtr Cr 0.000 11/09/12	0.00	0.00	0.00	0.00	0.00	910.00	910.00
313376HQ1	AGCY BULET	FHLB 0.210 12/10/12	606.67	350.00	0.00	0.00	956.67	(27.92)	322.08
<b>Total for GO Bond - Series 2009</b>			<b>10,862.84</b>	<b>3,571.59</b>	<b>36.39</b>	<b>0.00</b>	<b>14,398.04</b>	<b>300.23</b>	<b>3,871.82</b>

CUSIP	Security Type	Security Description	Beg. Accrued	Interest Earned	Interest Rec'd / Sold / Matured	Interest Purchased	Ending Accrued	Disc Accr / Prem Amort	Net Income
<b>GO Bond - Series 2010</b>									
WF-ADVG0V	MMF	Wells Fargo Adv Govt MMF	20.54	16.62	20.54	0.00	16.62	0.00	16.62
89233GBH8	CP - DISC	Toyota Mtr Cr 0.000 02/17/12	0.00	0.00	0.00	0.00	0.00	568.88	568.88
31398AP71	AGCY BULET	FNMA 1.250 06/22/12	4,062.50	3,125.00	0.00	0.00	7,187.50	(2,472.33)	652.67
89233GJ49	CP - DISC	Toyota Mtr Cr 0.000 09/04/12	0.00	0.00	0.00	0.00	0.00	1,127.78	1,127.78
89233GL95	CP - DISC	Toyota Mtr Cr 0.000 11/09/12	0.00	0.00	0.00	0.00	0.00	682.50	682.50
<b>Total for GO Bond - Series 2010</b>			<b>4,083.04</b>	<b>3,141.62</b>	<b>20.54</b>	<b>0.00</b>	<b>7,204.12</b>	<b>(93.17)</b>	<b>3,048.45</b>
<b>Total for City of Peoria</b>			<b>363,361.87</b>	<b>143,008.12</b>	<b>49,957.04</b>	<b>(7,986.11)</b>	<b>464,399.06</b>	<b>(27,052.50)</b>	<b>115,955.62</b>

Trade Date	Settle Date	CUSIP	Security Type	Security Description	Coupon	Mty Date	Call Date	Par Value	Price	Principal Amount	Int Purchased / Received	Total Amount	Realized Gain / Loss	YTM	YTW
<b>General Fund</b>															
<b>Calls</b>															
02/06/12	02/06/12	31331KXS4	AGCY CALL	FFCB	0.470	09/06/13	02/06/12	10,000,000.00	100.000	10,000,000.00	19,583.33	10,019,583.33		0.508	0.470
02/14/12	02/14/12	3136FP6Y8	AGCY STEP	FNMA	1.250	02/14/14	02/14/12	8,000,000.00	100.000	8,000,000.00	0.00	8,000,000.00		1.607	1.869
<b>Total for: Calls</b>								<b>18,000,000.00</b>		<b>18,000,000.00</b>	<b>19,583.33</b>	<b>18,019,583.33</b>		<b>0.996</b>	<b>1.092</b>
<b>Maturities</b>															
02/09/12	02/09/12	36959HB97	CP - DISC	GE Capital Corp		02/09/12		8,000,000.00	100.000	8,000,000.00	0.00	8,000,000.00		0.240	
02/10/12	02/10/12	89233GBA3	CP - DISC	Toyota Mtr Cr		02/10/12		5,000,000.00	100.000	5,000,000.00	0.00	5,000,000.00		0.361	
02/17/12	02/17/12	89233GBH8	CP - DISC	Toyota Mtr Cr		02/17/12		6,000,000.00	100.000	6,000,000.00	0.00	6,000,000.00		0.391	
<b>Total for: Maturities</b>								<b>19,000,000.00</b>		<b>19,000,000.00</b>	<b>0.00</b>	<b>19,000,000.00</b>		<b>0.320</b>	
<b>Purchases</b>															
01/27/12	02/27/12	3134G3MM9	AGCY CALL	FHLMC	0.400	02/27/14	02/27/13	8,000,000.00	100.000	8,000,000.00	0.00	8,000,000.00		0.400	0.400
02/08/12	02/09/12	3134G3BF6	AGCY BULET	FHLMC	0.625	12/23/13		10,000,000.00	100.548	10,054,820.00	7,986.11	10,062,806.11		0.331	0.331
02/08/12	02/09/12	36959HH75	CP - DISC	GE Capital Corp		08/07/12		8,000,000.00	99.840	7,987,200.00	0.00	7,987,200.00		0.321	0.321
02/09/12	02/10/12	89233GL53	CP - DISC	Toyota Mtr Cr		11/05/12		5,000,000.00	99.559	4,977,956.94	0.00	4,977,956.94		0.593	0.593
02/14/12	02/14/12	3024A0L94	CP - DISC	FCAR Owner Trust		11/09/12		4,000,000.00	99.537	3,981,468.89	0.00	3,981,468.89		0.623	0.623
02/16/12	02/16/12	3024A0L94	CP - DISC	FCAR Owner Trust		11/09/12		4,000,000.00	99.540	3,981,606.67	0.00	3,981,606.67		0.623	0.623
02/16/12	02/17/12	89233GL95	CP - DISC	Toyota Mtr Cr		11/09/12		6,000,000.00	99.535	5,972,070.00	0.00	5,972,070.00		0.633	0.633
<b>Total for: Purchases</b>								<b>45,000,000.00</b>		<b>44,955,122.50</b>	<b>7,986.11</b>	<b>44,963,108.61</b>		<b>0.463</b>	<b>0.463</b>
<b>Income Payments</b>															
02/15/12	02/14/12	3136FP6Y8	AGCY STEP	FNMA	1.250	02/14/14				0.00	30,000.00	30,000.00			
<b>Total for: Income Payments</b>										<b>0.00</b>	<b>30,000.00</b>	<b>30,000.00</b>			

Trade Date	Settle Date	CUSIP	Security Type	Security Description	Coupon	Mty Date	Call Date	Par Value	Price	Principal Amount	Int Purchased / Received	Total Amount	Realized Gain / Loss	YTM	YTW
<b>GO Bond - Series 2009</b>															
<b>Maturities</b>															
02/17/12	02/17/12	89233GBH8	CP - DISC	Toyota Mtr Cr		02/17/12		2,000,000.00	100.000	2,000,000.00	0.00	2,000,000.00		0.391	
<b>Total for: Maturities</b>								<b>2,000,000.00</b>		<b>2,000,000.00</b>	<b>0.00</b>	<b>2,000,000.00</b>		<b>0.391</b>	
<b>Purchases</b>															
02/08/12	02/09/12	36959HH75	CP - DISC	GE Capital Corp		08/07/12		3,000,000.00	99.840	2,995,200.00	0.00	2,995,200.00		0.321	0.321
02/16/12	02/17/12	89233GL95	CP - DISC	Toyota Mtr Cr		11/09/12		4,000,000.00	99.535	3,981,380.00	0.00	3,981,380.00		0.633	0.633
<b>Total for: Purchases</b>								<b>7,000,000.00</b>		<b>6,976,580.00</b>	<b>0.00</b>	<b>6,976,580.00</b>		<b>0.499</b>	<b>0.499</b>
<b>GO Bond - Series 2010</b>															
<b>Maturities</b>															
02/17/12	02/17/12	89233GBH8	CP - DISC	Toyota Mtr Cr		02/17/12		4,000,000.00	100.000	4,000,000.00	0.00	4,000,000.00		0.321	
<b>Total for: Maturities</b>								<b>4,000,000.00</b>		<b>4,000,000.00</b>	<b>0.00</b>	<b>4,000,000.00</b>		<b>0.321</b>	
<b>Purchases</b>															
02/16/12	02/17/12	89233GL95	CP - DISC	Toyota Mtr Cr		11/09/12		3,000,000.00	99.535	2,986,035.00	0.00	2,986,035.00		0.633	0.633
<b>Total for: Purchases</b>								<b>3,000,000.00</b>		<b>2,986,035.00</b>	<b>0.00</b>	<b>2,986,035.00</b>		<b>0.633</b>	<b>0.633</b>

Trade Date	Settle Date	CUSIP	Security Type	Security Description	Coupon	Mty Date	Call Date	Par Value	Price	Principal Amount	Int Purchased / Received	Total Amount	Realized Gain / Loss	YTM	YTW
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**Total for All Portfolios**

Transaction Type	Quantity	Total Amount	Realized G/L	YTM	YTW
Total Calls	18,000,000.00	18,019,583.33	0.996	1.092	
Total Maturities	25,000,000.00	25,000,000.00	0.325		
Total Purchases	55,000,000.00	54,925,723.61	0.477	0.477	
Total Income Payments	0.00	30,000.00			

CUSIP	Settle Date	Security Type	Security Description	Next Call Date	Purchase Qty	Orig Price	Original Cost	Amrt/Accr for Period	Total Amrt/Accr Since Purch	Remaining Disc / Prem	Book Value
<b>General Fund</b>											
36959HB97	08/12/11	CP - DISC	GE Capital Corp 0.000 02/09/12		0.00	99.879	0.00	426.64	0.00	0.00	0.00
89233GBA3	08/16/11	CP - DISC	Toyota Mtr Cr 0.000 02/10/12		0.00	99.822	0.00	450.00	0.00	0.00	0.00
89233GBH8	06/29/11	CP - DISC	Toyota Mtr Cr 0.000 02/17/12		0.00	99.748	0.00	1,039.98	0.00	0.00	0.00
36959HC70	08/30/11	CP - DISC	GE Capital Corp 0.000 03/07/12		8,000,000.00	99.836	7,986,911.11	1,997.76	12,675.53	413.36	7,999,586.64
36959HDC8	09/23/11	CP - DISC	GE Capital Corp 0.000 04/12/12		5,000,000.00	99.809	4,990,461.11	1,369.45	7,555.54	1,983.35	4,998,016.65
3024A0DL6	10/24/11	CP - DISC	FCAR Owner Trust 0.000 04/20/12		8,000,000.00	99.776	7,982,100.00	2,900.00	12,900.00	5,000.00	7,995,000.00
89233GEV4	09/02/11	CP - DISC	Toyota Mtr Cr 0.000 05/29/12		10,000,000.00	99.618	9,961,750.00	4,108.40	25,641.70	12,608.30	9,987,391.70
3024A0FE0	11/18/11	CP - DISC	FCAR Owner Trust 0.000 06/14/12		2,500,000.00	99.710	2,492,743.06	1,006.95	3,611.12	3,645.82	2,496,354.18
3137EACC1	05/17/11	AGCY BULET	FHLMC 1.750 06/15/12		6,000,000.00	101.603	6,096,180.00	(7,442.52)	(70,379.28)	(25,800.72)	6,025,800.72
912828KX7	03/23/11	TREAS NOTE	U.S. Treasury 1.875 06/15/12		10,000,000.00	101.848	10,184,765.63	(11,912.30)	(141,224.03)	(43,541.60)	10,043,541.60
31398AP71	05/24/11	AGCY BULET	FNMA 1.250 06/22/12		12,000,000.00	101.065	12,127,800.00	(9,889.32)	(91,209.36)	(36,590.64)	12,036,590.64
36959HFU6	12/12/11	CP - DISC	GE Capital Corp 0.000 06/28/12		8,000,000.00	99.790	7,983,195.56	2,448.88	6,755.56	10,048.88	7,989,951.12
3024A0H65	11/10/11	CP - DISC	FCAR Owner Trust 0.000 08/06/12		10,000,000.00	99.550	9,955,000.00	4,833.40	18,666.70	26,333.30	9,973,666.70
36959HH75	02/09/12	CP - DISC	GE Capital Corp 0.000 08/07/12		8,000,000.00	99.840	7,987,200.00	1,493.36	1,493.36	11,306.64	7,988,693.36
31331JY56	09/23/11	AGCY BULET	FFCB 0.400 11/02/12		5,000,000.00	100.173	5,008,650.00	(650.15)	(3,422.45)	(5,227.55)	5,005,227.55
89233GL53	02/10/12	CP - DISC	Toyota Mtr Cr 0.000 11/05/12		5,000,000.00	99.559	4,977,956.94	1,638.91	1,638.91	20,404.15	4,979,595.85
3024A0L94	02/14/12	CP - DISC	FCAR Owner Trust 0.000 11/09/12		8,000,000.00	99.540	7,963,075.56	2,066.68	2,066.68	34,857.76	7,965,142.24
89233GL95	02/17/12	CP - DISC	Toyota Mtr Cr 0.000 11/09/12		6,000,000.00	99.535	5,972,070.00	1,365.00	1,365.00	26,565.00	5,973,435.00
313376HQ1	12/20/11	AGCY BULET	FHLB 0.210 12/10/12		6,000,000.00	100.016	6,000,978.00	(83.76)	(198.24)	(779.76)	6,000,779.76
3137EACQ0	12/20/11	AGCY BULET	FHLMC 0.625 12/28/12		9,580,000.00	100.438	9,621,941.24	(3,417.57)	(8,087.15)	(33,854.09)	9,613,854.09
31331KGC8	05/26/11	AGCY CALL	FFCB 0.840 04/04/13	04/04/12	10,000,000.00	100.258	10,025,750.00	(2,511.60)	(22,987.20)	(2,762.80)	10,002,762.80
31331JPK3	01/30/12	AGCY BULET	FFCB 1.375 06/25/13		4,465,000.00	101.627	4,537,650.02	(4,310.91)	(4,454.60)	(68,195.42)	4,533,195.42
313376GY5	01/23/12	AGCY BULET	FHLB 0.330 07/01/13		10,000,000.00	100.084	10,008,400.00	(485.30)	(614.70)	(7,785.30)	10,007,785.30
3134G2SQ6	07/26/11	AGCY STEP	FHLMC 0.400 07/26/13	07/26/12	10,000,000.00	100.000	10,000,000.00	0.00	0.00	0.00	10,000,000.00
31331KXS4	09/06/11	AGCY CALL	FFCB 0.470 09/06/13		0.00	99.925	0.00	5,995.30	0.00	0.00	0.00
3136FFGA9	10/19/11	AGCY CALL	FNMA 1.000 09/20/13	09/20/12	8,000,000.00	100.558	8,044,640.00	(4,041.44)	(17,782.16)	(26,857.84)	8,026,857.84
3134G2L34	09/30/11	AGCY CALL	FHLMC 0.550 09/30/13	03/30/12	10,000,000.00	99.960	9,996,000.00	165.90	835.30	3,164.70	9,996,835.30
3135G0EU3	10/25/11	AGCY CALL	FNMA 0.625 10/25/13	10/25/12	8,000,000.00	100.000	8,000,000.00	0.00	0.00	0.00	8,000,000.00
3135G0FG3	01/19/12	AGCY CALL	FNMA 0.600 11/14/13	11/14/12	10,000,000.00	100.266	10,026,600.00	(2,702.50)	(3,783.50)	(22,816.50)	10,022,816.50
3135G0FS7	11/29/11	AGCY CALL	FNMA 0.600 11/21/13	11/21/12	5,000,000.00	99.850	4,992,500.00	314.25	963.75	6,536.25	4,993,463.75
3134G3BF6	02/09/12	AGCY BULET	FHLMC 0.625 12/23/13		10,000,000.00	100.548	10,054,820.00	(1,784.30)	(1,784.30)	(53,035.70)	10,053,035.70
3136FP6Y8	08/26/11	AGCY STEP	FNMA 1.250 02/14/14		0.00	100.116	0.00	(718.08)	0.00	0.00	0.00

CUSIP	Settle Date	Security Type	Security Description	Next Call Date	Purchase Qty	Orig Price	Original Cost	Amrt/Accr for Period	Total Amrt/Accr Since Purch	Remaining Disc / Prem	Book Value
<b>General Fund</b>											
3134G3MM9	02/27/12	AGCY CALL	FHLMC 0.400 02/27/14	02/27/13	8,000,000.00	100.000	8,000,000.00	0.00	0.00	0.00	8,000,000.00
3136FRLZ4	05/23/11	AGCY CALL	FNMA 1.250 05/23/14	05/23/12	8,225,000.00	99.980	8,223,355.00	45.24	417.75	1,227.25	8,223,772.75
3134G2H39	09/29/11	AGCY CALL	FHLMC 0.800 09/29/14	03/29/12	6,955,000.00	100.000	6,955,000.00	0.00	0.00	0.00	6,955,000.00
3135G0EM1	11/07/11	AGCY CALL	FNMA 1.000 11/07/14	11/07/12	5,000,000.00	100.000	5,000,000.00	0.00	0.00	0.00	5,000,000.00
3134G3BL3	12/05/11	AGCY CALL	FHLMC 1.000 12/05/14	12/05/12	5,000,000.00	100.000	5,000,000.00	0.00	0.00	0.00	5,000,000.00
3133XW4A4	08/26/11	AGCY STEP	FHLB 2.000 12/24/14	12/24/12	4,800,000.00	102.049	4,898,352.00	(6,171.12)	(37,997.71)	(60,354.29)	4,860,354.29
313373BT8	05/10/11	AGCY CALL	FHLB 2.000 04/20/15	04/20/12	8,000,000.00	100.561	8,044,880.00	(3,974.72)	(38,388.00)	(6,492.00)	8,006,492.00
<b>Total for General Fund</b>					<b>258,525,000.00</b>		<b>259,100,725.23</b>	<b>(26,429.49)</b>	<b>(345,725.78)</b>	<b>(229,999.45)</b>	<b>258,754,999.45</b>
<b>GO Bond - Series 2007 A</b>											
912828NB2	04/13/11	TREAS NOTE	U.S. Treasury 1.000 04/30/12		1,500,000.00	100.727	1,510,898.44	(830.07)	(9,181.07)	(1,717.37)	1,501,717.37
<b>Total for GO Bond - Series 2007 A</b>					<b>1,500,000.00</b>		<b>1,510,898.44</b>	<b>(830.07)</b>	<b>(9,181.07)</b>	<b>(1,717.37)</b>	<b>1,501,717.37</b>
<b>GO Bond - Series 2009</b>											
89233GBH8	06/29/11	CP - DISC	Toyota Mtr Cr 0.000 02/17/12		0.00	99.748	0.00	346.66	0.00	0.00	0.00
3024A0DL6	10/24/11	CP - DISC	FCAR Owner Trust 0.000 04/20/12		2,000,000.00	99.776	1,995,525.00	725.00	3,225.00	1,250.00	1,998,750.00
912828NB2	04/13/11	TREAS NOTE	U.S. Treasury 1.000 04/30/12		4,000,000.00	100.727	4,029,062.50	(2,213.52)	(24,482.86)	(4,579.64)	4,004,579.64
36959HH75	02/09/12	CP - DISC	GE Capital Corp 0.000 08/07/12		3,000,000.00	99.840	2,995,200.00	560.01	560.01	4,239.99	2,995,760.01
89233GL95	02/17/12	CP - DISC	Toyota Mtr Cr 0.000 11/09/12		4,000,000.00	99.535	3,981,380.00	910.00	910.00	17,710.00	3,982,290.00
313376HQ1	12/20/11	AGCY BULET	FHLB 0.210 12/10/12		2,000,000.00	100.016	2,000,326.00	(27.92)	(66.08)	(259.92)	2,000,259.92
<b>Total for GO Bond - Series 2009</b>					<b>15,000,000.00</b>		<b>15,001,493.50</b>	<b>300.23</b>	<b>(19,853.93)</b>	<b>18,360.43</b>	<b>14,981,639.57</b>

CUSIP	Settle Date	Security Type	Security Description	Next Call Date	Purchase Qty	Orig Price	Original Cost	Amrt/Accr for Period	Total Amrt/Accr Since Purch	Remaining Disc / Prem	Book Value
<b>GO Bond - Series 2010</b>											
89233GBH8	05/26/11	CP - DISC	Toyota Mtr Cr 0.000 02/17/12		0.00	99.763	0.00	568.88	0.00	0.00	0.00
31398AP71	05/24/11	AGCY BULET	FNMA 1.250 06/22/12		3,000,000.00	101.065	3,031,950.00	(2,472.33)	(22,802.34)	(9,147.66)	3,009,147.66
89233GJ49	12/12/11	CP - DISC	Toyota Mtr Cr 0.000 09/04/12		2,000,000.00	99.481	1,989,616.67	1,127.78	3,111.11	7,272.22	1,992,727.78
89233GL95	02/17/12	CP - DISC	Toyota Mtr Cr 0.000 11/09/12		3,000,000.00	99.535	2,986,035.00	682.50	682.50	13,282.50	2,986,717.50
<b>Total for GO Bond - Series 2010</b>					<b>8,000,000.00</b>		<b>8,007,601.67</b>	<b>(93.17)</b>	<b>(19,008.73)</b>	<b>11,407.06</b>	<b>7,988,592.94</b>
<b>Total for City of Peoria</b>					<b>283,025,000.00</b>		<b>283,620,718.84</b>	<b>(27,052.50)</b>	<b>(393,769.51)</b>	<b>(201,949.33)</b>	<b>283,226,949.33</b>

CUSIP	Security Type	Security Description	Pay Date	Interest	Principal	Total Amount
<b>General Fund</b>						
36959HC70	CP - DISC	GE Capital Corp 0.000 03/07/12	03/07/12	0.00	8,000,000.00	8,000,000.00
3136FPGA9	AGCY CALL	FNMA 1.000 09/20/13	03/20/12	40,000.00	0.00	40,000.00
3134G2H39	AGCY CALL	FHLMC 0.800 09/29/14	03/29/12	27,820.00	0.00	27,820.00
3134G2L34	AGCY CALL	FHLMC 0.550 09/30/13	03/30/12	27,500.00	0.00	27,500.00
31331KGC8	AGCY CALL	FFCB 0.840 04/04/13	04/04/12	42,000.00	10,000,000.00	10,042,000.00
36959HDC8	CP - DISC	GE Capital Corp 0.000 04/12/12	04/12/12	0.00	5,000,000.00	5,000,000.00
313373BT8	AGCY CALL	FHLB 2.000 04/20/15	04/20/12	80,000.00	8,000,000.00	8,080,000.00
3024A0DL6	CP - DISC	FCAR Owner Trust 0.000 04/20/12	04/20/12	0.00	8,000,000.00	8,000,000.00
3135G0EU3	AGCY CALL	FNMA 0.625 10/25/13	04/25/12	25,000.00	0.00	25,000.00
31331JY56	AGCY BULET	FFCB 0.400 11/02/12	05/02/12	10,000.00	0.00	10,000.00
3135G0EM1	AGCY CALL	FNMA 1.000 11/07/14	05/07/12	25,000.00	0.00	25,000.00
3135G0FG3	AGCY CALL	FNMA 0.600 11/14/13	05/14/12	30,000.00	0.00	30,000.00
3135G0FS7	AGCY CALL	FNMA 0.600 11/21/13	05/21/12	14,333.33	0.00	14,333.33
3136FRLZ4	AGCY CALL	FNMA 1.250 05/23/14	05/23/12	51,406.25	0.00	51,406.25
89233GEV4	CP - DISC	Toyota Mtr Cr 0.000 05/29/12	05/29/12	0.00	10,000,000.00	10,000,000.00
313376GY5	AGCY BULET	FHLB 0.330 07/01/13	05/30/12	16,500.00	0.00	16,500.00
3134G3BL3	AGCY CALL	FHLMC 1.000 12/05/14	06/05/12	25,000.00	0.00	25,000.00
313376HQ1	AGCY BULET	FHLB 0.210 12/10/12	06/10/12	6,335.00	0.00	6,335.00
3024A0FE0	CP - DISC	FCAR Owner Trust 0.000 06/14/12	06/14/12	0.00	2,500,000.00	2,500,000.00
3137EACC1	AGCY BULET	FHLMC 1.750 06/15/12	06/15/12	52,500.00	6,000,000.00	6,052,500.00
912828KX7	TREAS NOTE	U.S. Treasury 1.875 06/15/12	06/15/12	93,750.00	10,000,000.00	10,093,750.00
31398AP71	AGCY BULET	FNMA 1.250 06/22/12	06/22/12	75,000.00	12,000,000.00	12,075,000.00
3134G3BF6	AGCY BULET	FHLMC 0.625 12/23/13	06/23/12	31,250.00	0.00	31,250.00
3133XW4A4	AGCY STEP	FHLB 2.000 12/24/14	06/24/12	48,000.00	0.00	48,000.00
31331JPK3	AGCY BULET	FFCB 1.375 06/25/13	06/25/12	30,696.87	0.00	30,696.87
3137EACQ0	AGCY BULET	FHLMC 0.625 12/28/12	06/28/12	29,937.50	0.00	29,937.50
36959HFU6	CP - DISC	GE Capital Corp 0.000 06/28/12	06/28/12	0.00	8,000,000.00	8,000,000.00
3134G2SQ6	AGCY STEP	FHLMC 0.400 07/26/13	07/26/12	20,000.00	0.00	20,000.00
3024A0H65	CP - DISC	FCAR Owner Trust 0.000 08/06/12	08/06/12	0.00	10,000,000.00	10,000,000.00
36959HH75	CP - DISC	GE Capital Corp 0.000 08/07/12	08/07/12	0.00	8,000,000.00	8,000,000.00
3134G3MM9	AGCY CALL	FHLMC 0.400 02/27/14	08/27/12	16,000.00	0.00	16,000.00
<b>Total for General Fund</b>				<b>818,028.95</b>	<b>105,500,000.00</b>	<b>106,318,028.95</b>

CUSIP	Security Type	Security Description	Pay Date	Interest	Principal	Total Amount
<b>GO Bond - Series 2007 A</b>						
912828NB2	TREAS NOTE	U.S. Treasury 1.000 04/30/12	04/30/12	7,500.00	1,500,000.00	1,507,500.00
<b>Total for GO Bond - Series 2007 A</b>				<b>7,500.00</b>	<b>1,500,000.00</b>	<b>1,507,500.00</b>
<b>GO Bond - Series 2009</b>						
3024A0DL6	CP - DISC	FCAR Owner Trust 0.000 04/20/12	04/20/12	0.00	2,000,000.00	2,000,000.00
912828NB2	TREAS NOTE	U.S. Treasury 1.000 04/30/12	04/30/12	20,000.00	4,000,000.00	4,020,000.00
313376HQ1	AGCY BULET	FHLB 0.210 12/10/12	06/10/12	2,111.66	0.00	2,111.66
36959HH75	CP - DISC	GE Capital Corp 0.000 08/07/12	08/07/12	0.00	3,000,000.00	3,000,000.00
<b>Total for GO Bond - Series 2009</b>				<b>22,111.66</b>	<b>9,000,000.00</b>	<b>9,022,111.66</b>
<b>GO Bond - Series 2010</b>						
31398AP71	AGCY BULET	FNMA 1.250 06/22/12	06/22/12	18,750.00	3,000,000.00	3,018,750.00
<b>Total for GO Bond - Series 2010</b>				<b>18,750.00</b>	<b>3,000,000.00</b>	<b>3,018,750.00</b>

CUSIP	Security Type	Security Description	Pay Date	Interest	Principal	Total Amount
<b>Total for All Portfolios</b>						
			March 2012	95,320.00	8,000,000.00	8,095,320.00
			April 2012	174,500.00	38,500,000.00	38,674,500.00
			May 2012	147,239.58	10,000,000.00	10,147,239.58
			June 2012	413,331.03	41,500,000.00	41,913,331.03
			July 2012	20,000.00	0.00	20,000.00
			August 2012	16,000.00	21,000,000.00	21,016,000.00
<b>Total Projected Cash Flows for City of Peoria</b>				<b>866,390.61</b>	<b>119,000,000.00</b>	<b>119,866,390.61</b>

City of Peoria

# Appendix B

Economic E-mail and Quarterly Newsletter Samples

# Appendix B

**FirstSouthwest** 

Friday March 30, 2012

#### FED IN DISAGREEMENT

Last Sunday, Fed Chairman Bernanke appeared on 60-Minutes. On the topic of the FOMC maintaining the overnight funds rate near zero *until at least late 2014*, Bernanke said "...we've never issued a guarantee. We've said very clearly that that's our best estimate ...But of course if the economy looks different, if things get a lot stronger or a lot weaker we'll have to change our plans." The following day, Bernanke told an audience at the National Association for Business Economics that hiring is still "significantly below pre-crisis levels," and "unemployment is still above the long term sustainable level." He speculated that much of the recent job growth simply represents a correction from over-firing earlier in the business cycle. As a result, he figures further improvements in the unemployment rate would need to be supported by continued accommodative policies. To some degree, Bernanke's comments are in response to recent and growing sentiment that the Fed may need to begin policy tightening earlier than late 2014 as the economy gains strength.

For what it's worth, economists at Bank of America Merrill Lynch expect U.S. growth to slow by summer, which would support the idea of more quantitative easing later this year. But, there is still plenty of debate within the Fed that will present challenges on the timing and extent of any further asset purchases. Both Richmond Fed President Lacker (current FOMC voting member) and St. Louis Fed President Bullard (not an FOMC voting member this year) recently said the Fed might need to *tighten* monetary policy as soon as next year. Dallas Fed President Fisher told *Fox Business News* that "although growth is slower than we would like, it is gaining momentum ...and we will not support further quantitative easing under these circumstances..." And on Monday, Philadelphia Fed President Plosser said the Fed should not use its balance sheet as a regular tool for monetary policy.

#### CONGRESSIONAL LEADERS SQUABBLE

On Wednesday, the House of Representatives, by a 382-38 vote, crushed a compromise budget proposal, similar to the bipartisan Simpson-Bowles plan, that would have reduced the federal deficit by more than \$4 trillion over a 10-year period through both spending cuts and tax increases. President Obama's \$3.6 trillion budget proposal was voted down earlier that day by a 414-0 count. The following day, Representative Paul Ryan's \$3.5 trillion budget passed the GOP-controlled House with a 228-191 count. All but 10 Republicans voted in favor while all Democrats opposed. Ryan's plan is not expected to pass the Senate. So, it now appears as though the United States could operate without a budget *for the fourth straight year*.

The Wall Street Journal ran a story on Thursday entitled "Clock Ticks on U.S.'s Fiscal Time Bomb" that addresses three possible outcomes to the problem of a combination of mandatory spending reductions and expiring tax cuts due to take effect nine months from now. Bernanke has referred to this point as "a massive fiscal cliff." According to the Journal story, the most likely "solution" is to *kick the can further down the road*.

Whenever the Fed does decide to raise interest rates, debt service costs will climb. The combination of higher interest rates and an ever-rising national debt (assuming politicians can't agree on a credible budget) is a very real problem.

## MARKET INDICATIONS AS OF 9:35 A.M. CENTRAL TIME

DOW	UP 13 to 13,158
NASDAQ	DOWN 14 to 3,082
S&P 500	Up 1 to 1,399
1-Yr T-bill	current yield 0.17%; opening yield 0.17%
2-Yr T-note	current yield 0.33%; opening yield 0.33%
5-Yr T-note	current yield 1.01%; opening yield 1.01%
10-Yr T-note	current yield 2.15%; opening yield 2.16%
30-Yr T-bond	current yield 3.26%; opening yield 3.27%

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## Asset Management Economic Summary — 4th Quarter 2011

The overriding theme of the fourth quarter was improvement in the domestic economy. Although problems in Europe again dominated news headlines, a glimmer of hope emerged for the U.S. The housing market, after years of skimming along the bottom, is showing tentative signs of a rebound. Payroll gains and a declining unemployment rate suggest a recuperating job market. Measures of consumer confidence are improving and inflation has moderated as commodity prices have declined. The good news is tempered, however, by the sovereign debt crisis gripping Europe and over indebted consumers. For four consecutive years, households have been reducing their debt loads. Whether voluntary or involuntary, the effect was the same - the economy slowed when consumers curtailed their spending. From 2001 through 2006, household debt grew at a supercharged, perhaps reckless, 11% per year, before slowing and then falling at nearly a 2% rate for 2009 and 2010. The most recent Federal Reserve quarterly flow of funds statement showed that household debt decreased by an annual rate of 1.25% in the third quarter, roughly the same pace as in the first half, while home mortgage debt fell at an annual rate of 1.75%. The result was that total household debt had fallen to 119% of disposable income, down from a peak of 135% at the end of 2007. This is hardly lean, but the levels of debt are moving in the right direction and paving the way for future spending.

Bloomberg News reported in December that banks had increased their business loans at an average annual rate of almost 10% in the third quarter, compared with a 1.7% decline over the past four years. The most recent monthly numbers show seasonally adjusted loan growth of 15% in October, and 6.1% in November. The October survey of senior loan officers revealed that U.S. banks have now loosened lending standards for eight straight quarters. The recent lending increase seems to be the result of rising loan demand, another ingredient to recovery that had been missing for some time. At the November FOMC meeting, Fed officials said that business lending had "accelerated" beyond the "strong increases" seen in the first half of the year. Amid much criticism of Fed monetary policy, it seems to be gaining traction. And the economic recovery thus far is chipping away at the government shortfall. A 2.3% rise in Federal tax receipts along with a 3.2% reduction in government spending helped reduce the budget deficit to \$137 billion in November. A year ago, the November deficit was \$150 billion.

Economist Paul Krugman has said *even though we may have finally stopped digging, we're still at the bottom of a very deep hole*, but if it's any comfort, the economic challenges faced by the U. S. are shared by the majority of the world's developed countries. The Eurozone seems no closer to resolving its long-term sovereign debt crisis. The insurmountable problem is that the degree of belt-tightening required to get debt-to-GDP ratios back to the rule-of-thumb 60% mark is so severe that recession would be nearly inevitable. The debt-to-GDP ratio for Greece is almost 150% and is expected by many to rise to 160% in 2012. In October a haircut of 50% on privately held Greek debt was agreed upon at a European Summit in return for severe cutbacks in spending. By the beginning of 2012, as the Greek financial situation continued to deteriorate, the expected haircut number had increased by an additional 10%, and two-year Greek bonds were yielding a record 176% in the secondary market as investors demanded dramatically higher yields to compensate for the rising possibility of default. The debt problem isn't just restricted to Greece, Ireland and Portugal.

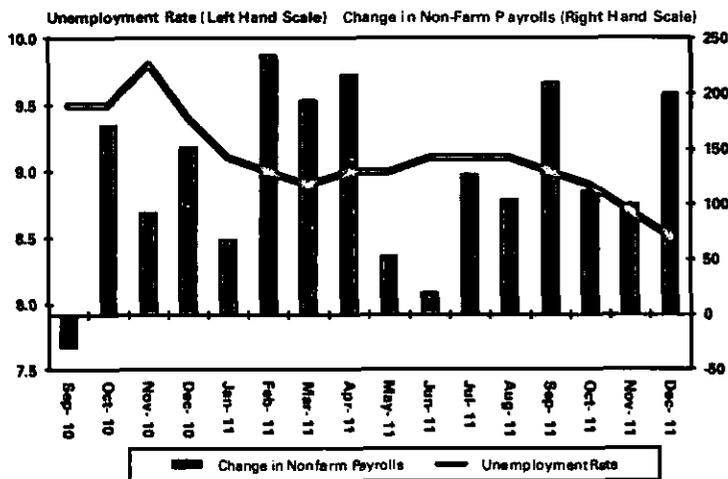
In recent months, the financial condition of Italy, the world's eighth largest economy has worsened, which has resulted in an untimely spike in borrowing costs, further compounding the problem. Analysts at Standard & Poor's believe recessions already impacting Greece, Portugal and Spain are likely to spread to larger European countries in the first half of 2012. This, along with a strengthening dollar, is almost certain to hurt U.S. exports to Europe, but the impact resulting from continued deterioration of the global economy is largely unknown.

### HOUSING



For reasons unclear, the U.S. housing market is starting to show signs of life. Part of the rebound may simply be that housing supply is more in line with demand. Existing home sales rose by 4.0% in November to a 4.42 million unit annual rate, the highest since January. The number of existing homes listed for sale fell to a 6 1/2-year low, and the estimated supply at the current sales pace hit a two-year low of seven months, nearing a more normal level of six months. On top of the reduced supply, there remains an uncertain overhang of "shadow inventory" on the books of financial institutions, but even these estimates have been scaled back in recent months. New home sales rose 1.6% in November to a seven-month high of 315,000, leaving the total number of new homes available for sale at an all-time low of 158,000, representing just a six-month supply at the current sales pace. So maybe a bottom has finally been reached. An estimated 305,000 new homes were sold during 2011, less than 25% of the 1.28 million in 2005, but many of the leading housing indicators are flashing improvement. The November pending home sales index increased by 7.3% to the highest level in 19 months when Federal tax credits were still being offered to first-time and other qualified buyers. The National Association of Home Builders (NAHB) housing market index rose from 19 to 21 in December, the fourth consecutive month of improvement and the highest level since May 2010. Improved sales and a less dim outlook have boosted new construction. November housing starts were stronger than expected, with starts jumping by 9.3% to a 685k annual rate, the highest since April 2009. Multi-family starts were up 25% as the shift to apartments and rental units continued, but single family starts also rose, increasing by 2.3% to a five-month high. In a sign that the starts data may possibly have legs, building permits rose to a one-year high.

## EMPLOYMENT



EMPLOYMENT  
Change in Non-Farm Payrolls

By the end of the summer, hiring by companies had come to a virtual standstill with zero gain in nonfarm payrolls being reported in the initial August employment reading. But things improved considerably after that point. Company payrolls grew by 200k in December and a total of 621k in the final four months of the year. Even the August job count was subsequently revised from zero to up 104k. For all of 2011, employers added more than 1.64 million new workers. Although this pace doesn't suggest a return to full employment anytime soon, it appears relatively healthy when compared to 5 million jobs lost in 2009. As businesses began hiring, the December unemployment rate fell to 8.5%, more than a point and a half below the 10.1% cycle high from October 2009 and the lowest level in more than 2½ years. But, this number has been viewed with a high degree of skepticism as the labor force participation rate has been dropping and currently hovers near its low point for the last decade. The U6 unemployment rate, a much broader measure that includes everyone who would accept a full-time job if one were offered to them (including all of the discouraged workers and involuntary part-timers) is still historically high, but also on the decline. The U6 measure fell from 15.6% to 15.2% in December. Just four months ago, this rate was 16.4%.

Going forward, it isn't clear that the pace of job growth will pick up significantly in 2012, but recent weekly initial claims data suggests that businesses should continue to add to payrolls. First-time filings for unemployment benefits fell to a 3½-year low in December, and the four-week moving average fell to its lowest point since the spring of 2008. Confidence readings are also flashing improvement in the labor market. The December Conference Board survey showed the percentage of consumers believing jobs were plentiful rose to the highest level in three years, while those who thought jobs were hard to get dropped to a three-year low.

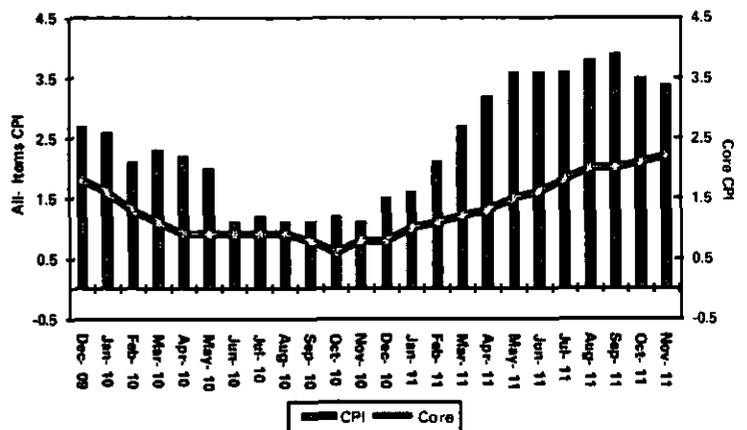
## CONSUMER SPENDING

November retail sales rose just 0.2%, a sharp decline from revised gains of 1.3% and 0.6% in September and October respectively, but a late month rally by holiday shoppers seemed to have put December's numbers back on track. Same store sales for businesses with doors open for a year or more were up 3.4% over last year, but there were clearly winners and losers amongst the 22 retailers tracked by the Reuters Index. Macy's celebrated a 6.2% year-over-year increase, while the Gap tumbled 4% from last year. Kmart and Sears are expected to close as many as 120 stores after dropping 4.4% and

6% year-over-year. ZDNet reported that online sales had jumped 15% in November and December to total \$37.2 billion in holiday season revenue for 2011. Strong online "Black Friday" shopping numbers in November were followed by even better "Cyber Monday" sales. Online revenues for the Monday after Thanksgiving exceeded \$1.25 billion, a 22% increase from last year. Online sales on the Friday after Thanksgiving were \$816 million, a 26% increase from the prior year.

But, like most indicators, recent improvement in consumer spending is from extremely low levels. American consumers have been cutting back on their spending for years. In fact, with one exception, total household debt has fallen every quarter for the past four years. This is very unusual. According to FTN Financial, this is the first sustained decline since the 1980's. At the risk of flying off on a tangent, it's worth mentioning that from 2003 to 2007, Americans withdrew \$2.1 trillion in equity from their homes. With this massive individual stimulus no longer available and tighter lending standards firmly in place it becomes clear why spending has slowed. The question is ...when does the consumer feel confident enough to really ramp up their spending? Maybe the answer is starting to show up in the monthly confidence numbers. The Conference Board's consumer confidence index jumped 9.3 points in December to 64.5, reflecting significant increases in both future expectations and the present situation components. During the low point of the cycle (and apparently the historical low) in February 2009, confidence dipped all the way to 25.3. By contrast, in November 2007, just before the recession began, it was 87.8.

## INFLATION



CONSUMER PRICE INDEX:  
Core Rate (Excluding Food & Energy), Year-Over-Year

The European crisis has resulted in a stronger dollar, and contributed to a global slowdown that has curtailed overall demand for commodities. Cotton and corn prices hit all-time highs in the first half of the year, before dropping along with virtually all commodities as the year progressed. Between the peak in April and the end of 2011, the DOW UBS Commodities Index fell 20%. Oil prices also peaked in April with WTI closing just under \$114 per barrel. By year-end, oil had closed at \$98.83, up 8.2% for the year. The average gasoline price, according to AAA was \$3.27 per gallon at year-end, approximately \$0.25 lower for the quarter, but still \$0.19 higher on the year. As food and energy prices abate, the consumer price index has moved gradually lower with headline CPI falling from 3.9% in September to 3.4% in November. But if food and energy prices are taken out of the equation, core CPI tells a different story, up from 0.8% a year earlier to a three-year high of 2.2%. In order for the Fed to justify its easy money policy, core consumer inflation will have to remain below 3.0%. Fortunately, most economists

and Fed officials are under the impression that significant slack in the labor market, along with a general decline in the global economy will result in a moderation of core inflation in the coming months.

## THE FED

The Fed lowered the overnight funds rate to a range of zero to 0.25% more than three years ago. At the time, most figured monetary policy was at an emergency level that would be in place for six-to 12-months. This hasn't turned out to be the case at all. In fact, last quarter Fed officials announced that they expected to leave the overnight funds target in place for another two years. As a result, yields inside of two years generally traded near record lows all quarter long. With an anchor set on the short end of the curve, the Fed continued "operation twist," a plan announced at the end of the third quarter intended to drive down longer-term yields by selling Fed portfolio holdings with short maturities and reinvesting proceeds into longer-term bonds. For the most part, this strategy has worked. The 10-year Treasury note yield closed the year at 1.87%, below the third quarter average of 2.40% and the fourth quarter average of 2.03%.

## STOCK MARKETS

It was nearly a complete reversal for stocks in the fourth quarter, with the DOW gaining more than 1,300 points, or 12% during the final three months, while the S&P 500 index gained over 11% in Q4 to close within 4/100th of a point of its 2010 close. The Dow finished up 246 points for 2011, but the volatility was extreme. Bloomberg News reported the average between

intraday highs and lows was 126 points through July, and more than doubled to 261 points for the last five months. Bloomberg News also reported that corporate profits had risen by just 6% in the final quarter of the year, the smallest year-over-year quarterly growth since September 2009. Despite this fact, and a very uncertain environment ahead, the median forecast from 16 of the nation's top equity managers as reported by Business Insider, shows a median forecasted stock market gain for 2012 of 8.3%, a seemingly attractive earnings rate at a time when cash pays nothing.

	DOW	S&P 500	NASDAQ
9/30/11	10,913	1,131	2,415
12/31/11	12,218	1,258	2,605
% Change for Q4-2011	12%	11%	8%

		Fed Funds	3 mo T-bill	6 mo T-bill	2 yr T-note	5 yr T-note	10 yr T-note
Last	9/30/11	0.00%	0.02%	0.05%	0.25%	0.95%	2.00%
High		0.00%	0.02%	0.07%	0.31%	1.20%	2.40%
Low		0.00%	-0.01%	0.02%	0.22%	0.80%	1.76%
End	12/31/11	0.00%	0.01%	0.06%	0.24%	0.83%	1.88%

## ECONOMIC AND INTEREST RATE OUTLOOK

Although the economy finished the year on an upswing, there are many obstacles in its path, not the least of which is the housing market. A housing crash ignited the recession, and continued deterioration is stifling recovery. According to Bank of America Merrill Lynch, six million homes have been foreclosed on since 2007, and another eight million homes will be liquidated over the next four years. All told this would represent a quarter of all homes with mortgages. This glut of foreclosed properties is hammering home prices and by proxy, Americans' household net worth. The S&P Case-Shiller 20-city index reached the lowest point since March 2003, and in nine of the 19 cities with historical data going back to 1991, real prices are currently lower than they were 20 years ago. At the beginning of 2012 Fed officials sent a 26-page white-paper to congressional leaders addressing the housing problem and offering solutions. In it, Fed officials said that lending standards had become "extraordinarily tight," and urged more aggressive use of Fannie and Freddie to support housing recovery. The white-paper proposed that foreclosed single-family homes be converted to rentals to halt the decline in home prices. Recovery in housing is essential to sustained recovery, but people will need jobs before they are able to buy homes.

The labor market is gradually gaining momentum, but has a long way to go. Factory jobs are returning, and recent ISM surveys indicate that factory managers plan to hire additional workers in the coming months. Auto sales picked up significantly in 2011, and with the average age of vehicles on U.S. roads at a record 10.9 years, the outlook for 2012 sales is optimistic. With increased vehicle sales, come additional manufacturing jobs.

The possibility of another round of stimulus dollars is remote, unless that stimulus is a continuation of long-term unemployment benefits, the payroll tax cut beyond February and further extension of the Bush tax cuts at the end of 2012. But frankly, these measures are already firmly in place. Allowing

them to expire would subtract from GDP growth. In order to further goose the economy, the government would have to grant additional stimulus, an unlikely scenario when the nation's focus is squarely on reducing the deficit. The so-called "supercommittee" failed in its charge to reach a compromise agreement on how to reduce the Federal deficit by \$1.5 trillion over 10-years. As a result, automatic spending cuts will begin in 2013. In the glass-half-full realm, this delay is good news for 2012 growth. Energy prices could be another positive for the economy. Pump prices rose above \$4 per gallon briefly in May, but ended the year heading in the right direction with AAA reporting a nationwide average price of \$3.25 for regular unleaded as of December 29th. Lower gasoline prices are highly stimulative, and unless Iran blocks the Strait of Hormuz, decreased worldwide demand could nudge gasoline prices still lower.

With all of this factored in, the likelihood of a "double-dip recession" has nearly dissipated, and the median forecast for GDP growth in 2012 now falls between 2.0% and 2.5%. This would qualify as moderate growth at best, and at this pace high unemployment would linger for years. The Fed recognizes this, and has done everything it can to get the economy back on track. As part of this strategy, they've pledged to keep the overnight funds rates at record lows for at least another 18 months. Later in 2012, the FOMC will begin releasing its quarterly fed funds forecast to the public for the first time. This may further clarify the Fed's strategy, but few expect an earlier tightening date to emerge with the first release. In fact, the new consensus seems to be well into 2014.

**Scott McIntyre, CFA**  
**Senior Portfolio Manager**  
**January 6, 2012**

300 W. Sixth Street, Suite 1940  
Austin, Texas 78701



## Asset Management Economic Summary — 4th Quarter 2011

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and the median forecast for GDP growth in 2012  
now falls between 2.0% and 2.5%.”

# Read more inside.

The paper was prepared by First Southwest Asset Management (FSAM) and is intended for educational and informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of FSAM as of the date of the report and may differ from the views of other divisions/departments of First Southwest Company. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance.

City of Peoria

# Appendix C

Sample Invoice

Appendix C

**FirstSouthwest** 



**INVOICE**

AUS01-TRS-1022  
January 30, 2012

First Southwest Asset Management, Inc.  
300 West 6<sup>th</sup> Street  
Suite 1940  
Austin, Texas 78701

**Ms Debbie Card  
Treasury Manager  
City of Peoria  
Finance Dept.  
8401 W. Monroe Street  
Peoria, AZ 85345**

**City of Peoria  
Solicitation Number:  
P07-0009**

<b>Investment Advisory Services for the period of: October 1, 2011 through December 31, 2011</b>	.....	\$	27,341.00
<b>Total Cash Due upon Receipt of this Invoice</b>	.....	\$	<u>27,341.00</u>

Remit payment by check to:

or

Remit payment by ACH/Wire Transfer to:

First Southwest Asset Management  
Attn: Jodi Jones  
300 West 6th Street, Suite 1940  
Austin, TX 78701

Bank of New York  
ABA #: 021-000-018  
FFC: First Southwest Company  
A/C #: 890 0271 779  
Ref: City of Peoria/AUS01-TRS-1022

**For Internal Use Only**  
1400-AUS01-TRS City of Peoria  
Invoice: AUS01-TRS-1022

**Due Upon Receipt**



**City of Peoria**

**Fee Calculations**

**October 1, 2011 through December 31, 2011**

October 31, 2011	Book Value Balance	\$ 326,689,685.13
November 30, 2011	Book Value Balance	\$ 336,886,782.46
December 31, 2011	Book Value Balance	<u>\$ 330,063,419.65</u>
	Average Book Value Balance	\$ 331,213,295.75
Less Than \$100,000,000		\$ 100,000,000.00
Times 4 Basis Points Annually ( 0.04% / 4 = 0.0100%)		<u>X 0.0100%</u>
Advisory Fees		\$ 10,000.00
Greater than \$100,000,000		\$ 231,213,295.75
Times 3 Basis Points Annually ( 0.03% / 4 = 0.0075%)		<u>X 0.0075%</u>
Advisory Fees		\$ 17,341.00
<b>Total Advisory Fee For This Quarter</b>		<u><u>\$ 27,341.00</u></u>

## Detailed Breakdown by Investment Fund

### General Fund:

October 31, 2011	\$ 271,230,444.02
November 30, 2011	\$ 285,258,025.23
December 31, 2011	<u>\$ 279,554,991.86</u>
Average Month End Balance	\$ 278,681,153.70
Less Than \$100,000,000	\$ 100,000,000.00
Times 4 Basis Points Annually ( 0.04% / 4 = 0.0010%)	<u>X 0.0100%</u>
Advisory Fees	\$ 10,000.00
Greater than \$100,000,000	\$ 178,681,153.70
Times 3 Basis Points Annually ( 0.03% / 4 = 0.0075%)	<u>X 0.0075%</u>
Advisory Fees	<u>\$ 13,401.09</u>
<b>Sub-Total Advisory Fee for General Fund This Qtr</b>	<b><u>\$ 23,401.09</u></b>

### 2007 G.O. Bonds:

October 31, 2011	\$ 6,014,893.81
November 30, 2011	\$ 4,014,747.87
December 31, 2011	<u>\$ 2,953,884.35</u>
Average Month End Balance	\$ 4,327,842.01
Less Than \$100,000,000	\$ -
Times 4 Basis Points Annually ( 0.04% / 4 = 0.0010%)	<u>X 0.0100%</u>
Advisory Fees	\$ -
Greater than \$100,000,000	\$ 4,327,842.01
Times 3 Basis Points Annually ( 0.03% / 4 = 0.0075%)	<u>X 0.0075%</u>
Advisory Fees	<u>\$ 324.59</u>
<b>Sub-Total Advisory Fee for 2007 G.O. This Qtr</b>	<b><u>\$ 324.59</u></b>

### 2009 G.O. Bonds:

October 31, 2011	\$ 18,666,181.34
November 30, 2011	\$ 17,744,118.90
December 31, 2011	<u>\$ 17,650,777.00</u>
Average Month End Balance	\$ 18,020,359.08
Less Than \$100,000,000	\$ -
Times 4 Basis Points Annually ( 0.04% / 4 = 0.0010%)	<u>X 0.0100%</u>
Advisory Fees	\$ -
Greater than \$100,000,000	\$ 18,020,359.08
Times 3 Basis Points Annually ( 0.03% / 4 = 0.0075%)	<u>X 0.0075%</u>
Advisory Fees	<u>\$ 1,351.53</u>
<b>Sub-Total Advisory Fee for 2009 G.O. This Qtr</b>	<b><u>\$ 1,351.53</u></b>

**2010 G.O. Bonds:**

October 31, 2011	\$ 12,629,883.19
November 30, 2011	\$ 11,709,028.06
December 31, 2011	\$ 11,727,574.57
Average Month End Balance	\$ 12,022,161.94
Less Than \$100,000,000	\$ -
Times 4 Basis Points Annually ( 0.04% / 4 = 0.0010%)	X 0.0100%
Advisory Fees	\$ -
Greater than \$100,000,000	\$ 12,022,161.94
Times 3 Basis Points Annually ( 0.03% / 4 = 0.0075%)	X 0.0075%
Advisory Fees	\$ 901.66
<b>Sub-Total Advisory Fee for 2009 G.O. This Qtr</b>	<b>\$ 901.66</b>

**Vistancia Project 2002 - Debt Service Reserve**

October 31, 2011	\$ 2,058,101.93
November 30, 2011	\$ 2,058,103.65
December 31, 2011	\$ 2,058,107.70
Average Month End Balance	\$ 2,058,104.43
Less Than \$100,000,000	\$ -
Times 4 Basis Points Annually ( 0.04% / 4 = 0.0010%)	X 0.0100%
Advisory Fees	\$ -
Greater than \$100,000,000	\$ 2,058,104.43
Times 3 Basis Points Annually ( 0.03% / 4 = 0.0075%)	X 0.0075%
Advisory Fees	\$ 154.36
<b>Sub-Total Advisory Fee for Vistancia Project 2002 - Debt Service This Qtr</b>	<b>\$ 154.36</b>

**Vistancia Project 2005 - Reserve Fund**

October 31, 2011	\$ 2,356,305.38
November 30, 2011	\$ 2,356,309.09
December 31, 2011	\$ 2,356,315.14
Average Month End Balance	\$ 2,356,309.87
Less Than \$100,000,000	\$ -
Times 4 Basis Points Annually ( 0.04% / 4 = 0.0010%)	X 0.0100%
Advisory Fees	\$ -
Greater than \$100,000,000	\$ 2,356,309.87
Times 3 Basis Points Annually ( 0.03% / 4 = 0.0075%)	X 0.0075%
Advisory Fees	\$ 176.72
<b>Sub-Total Advisory Fee for Vistancia Project 2005 - Reserve Fund This Qtr</b>	<b>\$ 176.72</b>

**Vistancia Project 2006 - Construction**

October 31, 2011	\$ 13,733,875.46
November 30, 2011	\$ 13,746,449.66
December 31, 2011	\$ 13,761,769.03
Average Month End Balance	\$ 13,747,364.72
Less Than \$100,000,000	\$ -
Times 4 Basis Points Annually ( 0.04% / 4 = 0.0010%)	X 0.0100%
Advisory Fees	\$ -
Greater than \$100,000,000	\$ 13,747,364.72
Times 3 Basis Points Annually ( 0.03% / 4 = 0.0075%)	X 0.0075%
Advisory Fees	\$ 1,031.05
<b>Sub-Total Advisory Fee for Vistancia Project 2006 - Construction This Qtr</b>	<b>\$ 1,031.05</b>

**Grand-Total Advisory Fee This Qtr**

<b>\$ 27,341.00</b>
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