

Robert E. Shannon
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
Telephone (562) 570-2200

1 Consultant, shall be available only during City's normal business hours and provided that
2 milestones for performance, if any, are met.

3 C. Consultant has requested to receive regular payments. City shall pay
4 Consultant in due course of payments following receipt from Consultant and approval by
5 City of invoices showing the services or task performed, the time expended (if billing is
6 hourly), and the name of the Project. Consultant shall certify on the invoices that
7 Consultant has performed the services in full conformance with this Agreement and is
8 entitled to receive payment. Each invoice shall be accompanied by a progress report
9 indicating the progress to date of services performed and covered by said invoice,
10 including a brief statement of any Project problems and potential causes of delay in
11 performance, and listing those services that are projected for performance by Consultant
12 during the next invoice cycle. Where billing is done and payment is made on an hourly
13 basis, the parties acknowledge that such arrangement is either customary practice for
14 Consultant's profession, industry, or business, or is necessary to satisfy audit and legal
15 requirements which may arise due to the fact that City is a municipality.

16 D. Consultant represents that Consultant has obtained all necessary
17 information on conditions and circumstances that may affect performance hereunder and
18 has conducted site visits, if necessary.

19 E. **CAUTION:** Consultant shall not begin work until this Agreement has been
20 signed by both parties and until Consultant's evidence of insurance has been delivered to
21 and approved by the City.

22 2. TERM. The term of this Agreement shall commence at midnight on
23 January 1, 2006, and shall terminate at 11:59 p.m. on December 31, 2007, unless sooner

1 by this reference. Consultant shall advise and inform City's representative of the work in
2 progress on the Project in sufficient detail so as to assist City's representative in making
3 presentations and in holding meetings for the exchange of information. City shall furnish
4 to Consultant information or materials, if any, described in Exhibit "D" attached to this
5 Agreement and incorporated by this reference.

6 B. The parties acknowledge that a substantial inducement to City for entering
7 this Agreement was and is the reputation and skill of Consultant's key employee Jayson
8 Davidson. City shall have the right to approve any person proposed by Consultant to
9 replace that key employee.

10 4. INDEPENDENT CONTRACTOR. In performing services hereunder,
11 Consultant is and shall act as an independent contractor and not an employee,
12 representative, or agent of City. Consultant shall have control of Consultant's work and the
13 manner in which it is performed. Consultant shall be free to contract for similar services
14 to be performed for others during this Agreement provided, however, that Consultant acts
15 in accordance with Section 9 and Section 11 of this Agreement. Consultant acknowledges
16 and agrees that a) City will not withhold taxes of any kind from Consultant's compensation,
17 b) City will not secure workers' compensation or pay unemployment insurance to, for or on
18 Consultant's behalf, and c) City will not provide and Consultant is not entitled to any of the
19 usual and customary rights, benefits or privileges of City employees. Consultant expressly
20 warrants that neither Consultant nor any of Consultant's employees or agents shall
21 represent themselves to be employees or agents of City.

22 5. INSURANCE. As a condition precedent to the effectiveness of this
23 Agreement, Consultant shall procure and maintain at Consultant's expense for the duration
24 of this Agreement from insurance companies that are admitted to write insurance in
25 California or from authorized non-admitted insurance companies that have ratings of or
26 equivalent to A:VIII by A.M. Best Company the following insurance:

27 (a) Commercial general liability insurance (equivalent in scope to ISO
28 form CG 00 01 11 85 or CG 00 01 11 88) in an amount not less than One

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1 Million Dollars (\$1,000,000) per each occurrence and Two Million
2 Dollars (\$2,000,000) general aggregate. Such coverage shall include but not
3 be limited to broad form contractual liability, cross liability, independent
4 contractors liability, and products and completed operations liability. The
5 City, its officials, employees and agents shall be named as additional
6 insureds by endorsement (on City's endorsement form or on an endorsement
7 equivalent in scope to ISO form CG 20 10 11 85 or CG 20 26 11 85), and
8 this insurance shall contain no special limitations on the scope of protection
9 given to the City, its officials, employees and agents.

10 (b) Workers' Compensation insurance as required by the Labor Code
11 of the State of California and employer's liability insurance in an amount not
12 less than One Million Dollars (\$1,000,000).

13 (c) Professional liability or errors and omissions insurance in an
14 amount not less than One Million Dollars (\$1,000,000) per claim.

1 and professional liability. Consultant shall notify the City in writing within five (5) days after
2 any insurance required herein has been voided by the insurer or cancelled by the insured.
3 If this coverage is written on a "claims made" basis, it must provide for an extended
4 reporting period of not less than one year, commencing on the date this Agreement expires
5 or is terminated, unless Consultant guarantees that Consultant will provide to the City
6 evidence of uninterrupted, continuing coverage for a period of not less than three (3) years,
7 commencing on the date this Agreement expires or is terminated.

8 Consultant shall require that all contractors and subcontractors which
9 Consultant uses in the performance of services hereunder maintain insurance in
10 compliance with this Section unless otherwise agreed in writing by City's Risk Manager or
11 designee.

12 Prior to the start of performance, Consultant shall deliver to City certificates
13 of insurance and required endorsements for approval as to sufficiency and form. In
14 addition, Consultant, shall, within thirty (30) days prior to expiration of the insurance
15 required herein, furnish to City certificates of insurance and endorsements evidencing
16 renewal of such insurance. City reserves the right to require complete certified copies of
17 all policies of Consultant and Consultant's contractors and subcontractors, at any time.
18 Consultant shall make available to City's Risk Manager or designee all books, records and
19 other information relating to the insurance coverage required herein, during normal
20 business hours.

21 Any modification or waiver of the insurance requirements herein shall only
22 be made with the approval of City's Risk Manager or designee. Not more frequently than
23 once a year, the City's Risk Manager or designee may require that Consultant,
24 Consultant's contractors and subcontractors change the amount, scope or types of
25 coverages required herein if, in his or her sole opinion, the amount, scope, or types of
26 coverages herein are not adequate.

27 The procuring or existence of insurance shall not be construed or deemed
28 as a limitation on liability relating to Consultant's performance or as full performance of or

1 compliance with the indemnification provisions of this Agreement.

2 6. ASSIGNMENT AND SUBCONTRACTING. This Agreement
3 contemplates the personal services of Consultant and Consultant's employees, and the
4 parties acknowledge that a substantial inducement to City for entering this Agreement was

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1 Agreement, including but not limited to documents, estimates, calculations, studies, maps,
2 graphs, charts, computer disks, computer source documentation, samples, models,
3 reports, summaries, drawings, designs, notes, plans, information, material, and
4 memorandum ("Data") shall be the exclusive property of City. Data shall be given to City,
5 and City shall have the unrestricted right to use and disclose the Data in any manner and
6 for any purpose without payment of further compensation to Consultant. Copies of Data
7 may be retained by Consultant but Consultant warrants that Data shall not be made
8 available to any person or entity for use without the prior approval of City. Said warranty
9 shall survive termination of this Agreement for five (5) years.

10 10. TERMINATION. Either party shall have the right to terminate this
11 Agreement for any reason or no reason at any time by giving thirty (30) days prior notice
12 to the other party. In the event of termination under this Section, City shall pay Consultant
13 for services satisfactorily performed to the effective date of termination for which
14 Consultant has not been previously paid. The procedures for payment in Section 1.B. with
15 regard to invoices shall apply. On the effective date of termination, Consultant shall deliver
16 to City all Data developed or accumulated in the performance of this Agreement, whether
17 in draft or final form, or in process.

18 11. CONFIDENTIALITY. Consultant shall keep the Data confidential and
19 shall not disclose the Data or use the Data directly or indirectly other than in the course of
20 services provided hereunder during the term of this Agreement and for five (5) years
21 following expiration or termination of this Agreement. In addition, Consultant shall keep
22 confidential all information, whether written, oral, or visual, obtained by any means

- o Development of 457 Plan loan program

Existing providers review

- Evaluate multiple provider structure

The Committee will be provided with information based upon industry research and our experience with the pros and cons of a multiple provider platform. This information will assist the Committee in selecting a Plan structure most appropriate for its specific Plan demographics.

1 without breach of this Agreement by Consultant; or (c) A third party who has a right to
2 disclose does so to Consultant without restrictions on further disclosure; or (d) Must be
3 disclosed pursuant to subpoena or court order.

4 13. ADDITIONAL COSTS AND REDESIGN. Any costs incurred by the
5 City due to Consultant's failure to meet the standards required by the Scope of Work or
6 Consultant's failure to perform fully the tasks described in the Scope of Work which, in
7 either case, causes the City to request that Consultant perform again all or a part of the
8 Scope of Work shall be at the sole cost of Consultant and City shall not pay any additional
9 compensation to Consultant for such re-performance.

10 14. AMENDMENT. This Agreement, including all Exhibits, shall not be
11 amended, nor any provision or breach hereof waived, except in writing signed by the
12 parties which expressly refers to this Agreement.

13 15. LAW. This Agreement shall be governed by and construed pursuant
14 to the laws of the State of California (except those provisions of California law pertaining
15 to conflicts of laws). Consultant shall comply with all laws, ordinances, rules and
16 regulations of and obtain such permits, licenses, and certificates required by all federal,
17 state and local governmental authorities.

18 16. ENTIRE AGREEMENT. This Agreement, including all Exhibits,
19 constitutes the entire understanding between the parties and supersedes all other
20 agreements, oral or written, with respect to the subject matter herein.

21 17. INDEMNITY. Consultant shall indemnify and hold harmless the City,
22 its Boards, Commissions, and their officials, employees and agents (collectively in this
23 Section "City") from and against any and all liability, claims, demands, damage, causes of
24 action, proceedings, penalties, loss, costs, and expenses (including attorney's fees, court
25 costs, and expert and witness fees) (collectively "Claims" or individually "Claim"). Claims
26 include allegations and include by way of example but are not limited to: Claims for
27 property damage, personal injury or death arising in whole or in part from any negligent act
28 or omission of Consultant, its officers, employees, agents, sub-consultants, or anyone

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1 under Consultant's control (collectively "Indemnitor"); Consultant's breach of this
2 Agreement; misrepresentation; willful misconduct; and Claims by any employee of
3 Indemnitor relating in any way to worker's compensation. Independent of the duty to
4 indemnify and as a free-standing duty on the part of Consultant, Consultant shall defend
5 City and shall continue such defense until the Claim is resolved, whether by settlement,
6 judgment or otherwise. Consultant shall notify the City of any claim within ten (10) days.
7 Likewise, City shall notify Consultant of any claim, shall tender the defense of such claim
8 to Consultant, and shall assist Consultant, as may be reasonably requested, in such
9 defense.

10 City shall indemnify Consultant from and against any and all Claims arising
11 from the gross negligence or willful misconduct of the City.

12 18. AMBIGUITY. In the event of any conflict or ambiguity between this

- o Summary of our analysis and selection criteria
- o Service provider presentation outline and a process for evaluating the presentations
- o Watch-list of weaknesses and questions to explore further with the service providers
- o Evaluation form to access the various service providers

Investment menu review and analysis

- Investment menu architecture
We will discuss with the Committee various types of potential investment menu structures to ensure that the options are appealing to Plan participants and meet the City's fiduciary requirements.

Thoughtful strategies, artfully applied.

2045 NE Martin Luther King, Jr. Blvd.
Portland, OR 97212
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1 compensation, and selection for training, including apprenticeship.

2 It is the policy of City to encourage the participation of Disadvantaged,
3 Minority and Women-owned Business Enterprises in City's procurement process, and
4 Consultant agrees to use its best efforts to carry out this policy in the award of all approved
5 subcontracts to the fullest extent consistent with the efficient performance of this
6 Agreement. Consultant may rely on written representations by subcontractors regarding
7 their status. City's policy is attached as Exhibit "E" hereto. Consultant shall report to City
8 in May and in December or, in the case of short-term agreements, prior to invoicing for final
9 payment, the names of all sub-consultants engaged by Consultant for this Project and
10 information on whether or not they are a Disadvantaged, Minority or Women-owned
11 Business Enterprise, as defined in Section 8 of the Small Business Act (15 U.S.C.
12 Sec. 637).

13 21. NOTICES. Any notice or approval required under this Agreement by
14 either party shall be in writing and personally delivered or deposited in the U.S. Postal
15 Service, first class, postage prepaid, addressed to Consultant at the address first stated
16 herein, and to the City at 333 West Ocean Boulevard, Long Beach, California 90802 Attn:
17 City Manager. Notice of change of address shall be given in the same manner as stated
18 herein for other notices. Notice shall be deemed given on the date deposited in the mail
19 or on the date personal delivery is made, whichever first occurs.

20 22. COPYRIGHTS AND PATENT RIGHTS.

21 A. Consultant shall place the following copyright protection on all
22 Data: © City of Long Beach, California _____, inserting the appropriate year.

23 B. City reserves the exclusive right to seek and obtain a patent or copyright
24 registration on any Data or other result arising from Consultant's performance of this
25 Agreement. By executing this Agreement, Consultant assigns any ownership interest
26 Consultant may have in the Data to City.

27 C. Consultant warrants that the Data does not violate or infringe any patent,
28 copyright, trade secret or other proprietary right of any other party. Consultant agrees to

1 | and shall protect, defend, indemnify and hold City, its officials and employees harmless

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1 hereunder until Consultant provides one of the aforesaid Numbers.

2 27. ADVERTISING. Consultant shall not use the name of City, its officials
3 or employees in any advertising or solicitation for business, nor as a reference, without the
4 prior approval of the City Manager or designee.

5 28. AUDIT. City shall have the right at all reasonable times during the
6 term of this Agreement and for a period of five (5) years after termination or expiration of
7 this Agreement to examine, audit, inspect, review, extract information from, and copy all
8 books, records, accounts, and other documents of Consultant relating to this Agreement.

9 29. NO PECULIAR RISK. Consultant acknowledges and agrees that the
10 services to be performed hereunder do not constitute a peculiar risk of bodily harm and
11 that no special precautions are required to perform said services.

12 30. THIRD PARTY BENEFICIARY. This Agreement is intended by the
13 parties to benefit themselves only and is not in any way intended or designed to or entered
14 for the purpose of creating any benefit or right for any person or entity of any kind that is
15 not a party to this Agreement.

16 31. MISCELLANEOUS. A. If the City's 457 Deferred Compensation Plan
17 is permitted to hold employer securities [as defined in Internal Revenue Code Section
18 407(d)(1)] or real property, Consultant will not have any role or responsibility, either arising
19 from this Agreement or otherwise, to advise the City or any other fiduciary with respect to
20 the decision to invest, hold or dispose of those employer securities or real property. The
21 City will defend, indemnify and hold Consultant harmless from any claim, liability or

22 ~~expense relating to the employer securities or real property.~~

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1 shall immediately send that information to the City and will take no further action with
2 respect to the proxy. On expiration or termination of this Agreement, Consultant shall
3 make a good faith effort to send proxy information that it inadvertently receives to the City
4 at the address identified in Section 21 above.

5 C. The City recognizes that there may be loss or depreciation of the value
6 of any investment due to the fluctuation of market values. The City acknowledges that
7 Consultant has not made any guarantee, either oral or written, that the investment
8 objectives of the City's 457 Deferred Compensation Plan will be achieved. Consultant is
9 not liable for any error in the City's judgment or for City's investment losses unless
10 Consultant is negligent, has acted fraudulently or with willful misconduct, or has violated
11 applicable laws. Nothing in this Agreement or in this sub-Section shall be deemed a waiver
12 or limitation on any rights or remedies that the City may have under applicable laws,
13 including but not limited to stated and federal securities laws.

14 D. On receipt of Consultant's Form ADV, City agrees to sign an
15 acknowledgment that it has read and received this Form as required by Rule 204-3 of the
16 Investment Advisers Act of 1940. And, on receipt of Consultant's privacy notice, City
17 agrees to sign an acknowledgment that it has read and received that notice as required by
18 SEC Regulation S-P.

19 IN WITNESS WHEREOF, the parties have caused this document to be duly

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executed with all formalities required by law as of the date first stated above.

ARNERICH MASSENA & ASSOCIATES, INC.,
an Oregon corporation

By [Signature]

Officer's Title PRESIDENT

By [Signature]

Officer's Title Vice-President

"Consultant"

CITY OF LONG BEACH, a municipal corporation

3.6, 2006

By [Signature]
City Manager

"City"

This Agreement is approved as to form on 1/31, 2006.

ROBERT E. SHANNON, City Attorney

By [Signature]
Senior Deputy

EXHIBIT A

Scope of Services

Phase I

Project Planning and Needs Analysis

- Determine and document goals and objectives
The needs analysis phase will begin with a client meeting in order to review, clarify, and document the project goals and objectives.

457 Plan Structure and Review

- Evaluation and review existing 457 Plan, including:
 - Assessment of industry practices and potential enhancements to the Plan
 - Evaluation of procedure for processing emergency withdrawal application
 - Evaluation of brokerage partnership
 - Development of 457 Plan loan program

Existing providers review

- Evaluate multiple provider structure
The Committee will be provided with information based upon industry research and our experience with the pros and cons of a multiple provider platform. This information will assist the Committee in selecting a Plan structure most appropriate for its specific Plan demographics.
- Draft Request for Proposal Request for Information (RFI)
A comprehensive RFI will be developed based on the client's goals, objectives and specific investment and service needs.
- RFI response analysis
We will complete a detailed analysis and comparison of the service providers. This will include a comprehensive evaluation of the specific investment funds that each provider is recommending for each asset class that we have identified.
- Vendor fee and service analysis
We will prepare a detailed matrix of provider services and related fees to arrive at an "apples-to-apples" comparison. We will identify all of the charges and hidden costs so that all fees are disclosed and included in your decision making process.

- Vendor Interview (if required)
We will coordinate the vendor presentations.
The Committee will receive:
 - Summary of our analysis and selection criteria
 - Service provider presentation outline and a process for evaluating the presentations
 - Watch-list of weaknesses and questions to explore further with the service providers
 - Evaluation form to access the various service providers

- Investment menu review
We will discuss with the Committee various types of potential investment menu structures to ensure that the options are appealing to Plan participants and meet the City's fiduciary requirements.

This discussion takes an in-depth look at asset class representation, lifestyle/pre-mixed model portfolios, and self-directed brokerage accounts. Our goal is to provide the Committee with the necessary resources to make an informed decision on the appropriate investment structure for the Plan.

- Investment menu analysis
A complete review of the proposed investment menu for each provider will be conducted. The investments will be evaluated on their performance, expenses, and compliance with investment policy criteria. The analysis of the investment products will assist the Committee in assessing each provider.

Fee and service assistance

- Fee and service negotiation
Throughout the evaluation process, we will negotiate fees and services with the providers on your behalf.

- Contract assistance
We will work with your legal counsel to see that the service provider contract fairly represents your interests. This section of the search process is commonly overlooked. We take great pride in our ability to ensure that the negotiated Plan enhancements, are reflected in the contract.

Fiduciary responsibilities

- We will advise the Committee as to the best operating practices in order to fulfill your fiduciary responsibility.

- We will provide guidance for utilizing the newly created or revised Investment Policy Statement so that the Committee can make prudent and appropriate decisions.

- Arnerich Massena will assume fiduciary responsibility regarding our recommendations and supporting documents and processes.

Phase II

Provider Evaluation and Selection (if necessary)

- Draft Request for Proposal (RFP)
A comprehensive RFP will be developed based on the client's goals, objectives and specific investment and service needs. We will assist the Committee in deciding which providers in the marketplace should receive the RFP and which might provide the most effective and least disruptive path to achieve their stated goals.
- RFP response analysis
We will complete a detailed analysis and comparison of the all the service providers that submit bids. This will include a comprehensive evaluation of the specific investment funds that each provider is recommending for each asset class that we have identified.
- Vendor fee and service analysis
We will prepare a detailed matrix of provider services and related fees to arrive at an "apples-to-apples" comparison. We will identify all of the charges and hidden costs so that all fees are disclosed and included in your decision making process.
- Finalist presentation
We will coordinate the final vendor presentations.
The Committee will receive:
 - Summary of our analysis and selection criteria
 - Service provider presentation outline and a process for evaluating the presentations
 - Watch-list of weaknesses and questions to explore further with the service providers
 - Evaluation form to access the various service providers

Investment menu review and analysis

- Investment menu architecture
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This discussion takes an in-depth look at asset class representation, lifestyle/pre-mixed model portfolios, and self-directed brokerage accounts. Our goal is to provide the Committee with the necessary resources to make an informed decision on the appropriate investment structure for the Plan.

- Investment menu analysis
A complete review of the proposed investment menu for each provider will be conducted. The investments will be evaluated on their performance, expenses, and compliance with investment policy criteria. The analysis of the investment products will assist the Committee in assessing each provider.
- Fee analysis
The revenue derived from the investment menu is typically the largest source of income for vendors. Our analysis will require full disclosure and will document the revenue received, by fund, for each vendor. We believe this documentation is a critical part of the due-diligence process. It also serves as a tool to negotiate the most favorable contracts for our clientele.

Fee and service assistance

- Fee and service negotiation
Throughout the evaluation process, we will negotiate fees and services with the providers on your behalf.
- Industry fee analysis
We will look to verify that the most competitive fee and service package is provided.
- Contract assistance
We will work with your legal counsel to see that the service provider contract fairly represents your interests. This section of the search process is commonly overlooked. We take great pride in our ability to ensure that the negotiated Plan enhancements, are reflected in the contract.

Implementation/transition

- Implementation/transition planning
Throughout the transition process, we will monitor the pre-set timeline and task completion goals.
- Communication channel
We will facilitate communication between all parties involved.
- Record transfer check
The goal is to assist and provide a timely transfer of records.

- Plan launch
We will coordinate the rollout of new products and services.

Employee Education

Development of participant education program, including printed materials and educational seminars.

Services include three days of on-site presenting and materials for 1,000 employees.

EXHIBIT B

Arnerich Massena
 & Associates, Inc.

Exhibit B - Quotation of Fees for Services

Proposed Pricing List

	Services Provided	Section Pricing
Phase I	Current Provider RFI: Selecting and analyzing investment options, evaluating services with providers under multiple and single provider scenarios. Negotiating fees on the City's behalf.	\$40,000
	457 Plan and Structure Review: Evaluation and review of existing 457 Plan, including assessment of industry practices and potential enhancements to the Plan.	Included
	Provider Review: Evaluate multiple provider structure, including vendor evaluation analysis, identifying appropriate providers.	Included
Phase II	Vendor RFP (if necessary): Assist the City in the development of a Request For Proposal (RFP), including evaluation of provider proposals and interviews. Facilitate contract negotiations.	\$10,000 per provider response evaluated. Capped at \$40,000
	Employee Education: Development of participant education program, including printed materials and educational seminars. Services include three days of presenting, plus travel and materials for 1,000 employees.	\$12,000

* The Costs associated with the above projects can be paid by the Plan. Under a sole provider scenario, Arnerich Massena is confident that the provider would be willing to return enough revenue to offset all reasonable Plan expenses. While it is possible to negotiate rebates under a multiple provider scenario, the likelihood of generating enough in rebates to cover all Plan costs is reduced.

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