SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-A**

FROM: Steve Mack, General Manager

Meeting Date: April 4, 2013

Subject: DISCUSSION/ACTION RE RESOLUTION13-08, AUTHORIZING THE ENGAGEMENT OF PROFESSIONAL SERVICES IN CONNECTION WITH THE REFUNDING OF OUTSTANDING BONDS DIRECTLY PURCHASED BY THE UNITED STATES DEPARTMENT OF AGRICULTURE

RECOMMENDED ACTION: Approve Resolution 13-08 which authorizes the engagement of Brandis Tallman to perform underwriter services, and Meyers Nave to perform legal services for the refunding of United States Department of Agriculture (USDA) Bonds.

FISCAL IMPACT: Refinancing/refunding District bonds may save District up to $56,000 annually.

DISCUSSION:

The Board of Directors has discussed refinancing the District's USDA bonds at the March 7, 2013, Regular Meeting and the March 21, 2013 Special Meeting. At the March 21 meeting the Board reached consensus on engaging Brandis Tallman to provide underwriter services and Meyers Nave to provide bond and disclosure counsel services for the refinancing. The proposal presented by Brandis Tallman meets the requirements of the refinancing and the fees proposed are competitive with other proposals reviewed by District staff and the Budget Committee.

The agreement with Brandis Tallman has an estimated cost of $69,960 based on 0.8% of par in the financing proposal presented by Brandis Tallman. The agreement with Meyers Nave has a not to exceed cost of $75,000. The costs of these agreements will be paid out of the refinancing proceeds.

Resolution 13-08 with Exihibits A and B authorizes the General Manager to execute the agreements with Brandis Tallman and Meyers Nave.

RESOLUTION NO. 13-08

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SWEETWATER SPRINGS WATER DISTRICT AUTHORIZING THE ENGAGEMENT OF PROFESSIONAL SERVICES IN CONNECTION WITH THE REFUNDING OF OUTSTANDING BONDS DIRECTLY PURCHASED BY THE UNITED STATES DEPARTMENT OF AGRICULTURE

WHEREAS, the Sweetwater Springs Water District (the "District") is duly organized and existing under the laws of the State of California and is authorized pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (commencing with Section 53570) (the "Refunding Bond Law") to issue refunding bonds (the "Refunding Bonds") for the purpose of refunding the outstanding principal amount of two series of bonds directly purchased by the U.S. Economic Development Administration (the "Prior Bonds") in 1992 and 2003; and

WHEREAS, in order to refund the Prior Bonds and thereby realize interest savings, the District proposes at this time to engage professional services in connection with the refunding the Prior Bonds under the Refunding Bond Law; and

WHEREAS, the Board of Directors wishes at this time to authorize the engagement of such professional services;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Sweetwater Springs Water District as follows:

Section 1. Engagement of Professional Services. The firm of Brandis Tallman LLC is hereby retained as Underwriter in connection with the issuance, sale and delivery of the Refunding Bonds. The General Manager of the District is hereby authorized and directed on behalf of the District to execute an agreement for underwriting services with the Underwriter in the form on file with the Clerk of the Board (Exhibit A).

The firm of Meyers, Nave, Riback, Silver & Wilson is hereby retained as Bond Counsel and Disclosure Counsel in connection with the issuance, sale and delivery of the Refunding Bonds. The General Manager of the District is hereby authorized and directed on behalf of the District to execute an engagement letter with Bond Counsel and Disclosure Counsel in the form on file with the Clerk of the Board (Exhibit B).

Section 2. Effective Date. This Resolution shall take effect from and after the date of approval and adoption thereof.

I hereby certify that the foregoing is a full, true, and correct copy of a Resolution duly and regularly adopted and passed by the Board of Directors of the SWEETWATER SPRINGS WATER DISTRICT, Sonoma County, California, at a meeting held on April 4, 2013, by the following vote:

Director	**Aye**	**No**
Sukey Robb-Wilder	_____	_____
Tim Lipinski	_____	_____
Gaylord Schaap	_____	_____
Richard Holmer	_____	_____
Victoria Wikle	_____	_____

_____
Richard Holmer
President of the Board of Directors

_____
Attest: Julie A. Kenny
Clerk of the Board of Directors

2061350.1

EXHIBIT A

AGREEMENT FOR
UNDERWRITING SERVICES

SWEETWATER SPRINGS WATER DISTRICT

This Agreement, made and entered into as of _____, 2013, by and between the Sweetwater Springs Water District (the "District") and Brandis Tallman LLC ("BTLLC") is for the purpose of establishing BTLLC as Underwriter for the District's proposed issuance of 2013 Refunding Revenue Bonds (the "Financing"). Our fee for services for this financing will not exceed 0.8 % of par. The fee is contingent upon the completion of the Financing and is paid out of Financing proceeds. There is no upfront fee or accruing liability to the District for the services of BTLLC. The District reserves the right to terminate this Agreement or reject the proposed Financing at any time.

SCOPE OF SERVICES

BTLLC shall perform all the duties and services specifically set forth herein and shall provide such other services as it deems necessary or advisable, or are reasonable and necessary to accomplish the intent of the District in a manner consistent with the standards and practices of underwriters prevailing at the time such services are rendered to the District.

The District may, with the concurrence of BTLLC, expand this Scope of Services to include any additional services not specifically identified within the terms herein.

DEBT ISSUANCE SERVICES

BTLLC shall assist the District in coordinating the planning and execution of the Financing. Insofar as BTLLC is providing services which are rendered only to the District, the overall coordination of the Financing shall be such as to minimize the costs of the transaction coincident with maximizing the District's financing flexibility and capital market access. BTLLC's proposed services may include, but shall not be limited to, the following:

- Develop the Financing Schedule
- Monitor the Transaction Process
- Compilation/Drafting of Due Diligence and Disclosure Information
- Preparation of the Rating Presentation
- Detailed Review of Official Statement
- Procure and Coordinate Additional Service Providers
- Provide Financial Advice to the District Relating to Financing Documents
- Compute Sizing and Design Structure of the Debt Issue
- Conduct Marketing and Distribution
- Prepare Market Commentary and Sales Comparables
- Structure Financing Terms
- Provide Pre-Closing and Closing Assistance

Specifically, BTLLC will:

1. Develop the Financing Schedule.

BTLLC shall take the lead role in preparing a schedule and detailed description of the interconnected responsibilities of each team member and update this schedule, with refinements, as necessary, as the work progresses.

2. Monitor the Transaction Process.

BTLLC shall have primary responsibility for the successful implementation of the financing strategy and timetable that is adopted. BTLLC shall coordinate (and assist, where appropriate) in the preparation of the legal and disclosure documents and shall monitor the progress of all activities leading to the sale of debt. BTLLC shall prepare the timetables and work schedules necessary to achieve this end in a timely, efficient and cost-effective manner and will coordinate and monitor the activities of all parties engaged in the Financing.

3. Compilation/Drafting of Due Diligence and Disclosure Information.

BTLLC will be responsible, as deemed appropriate by Bond Counsel, Disclosure Counsel and the District, to compile and draft disclosure information relating to the security of the Bonds for inclusion in the official statement and for discussion with investors.

4. Preparation of Rating Presentation.

BTLLC will be responsible for the preparation of a rating presentation to facilitate the discussion with rating agencies to procure a rating.

5. Detailed Review of the Official Statement.

Generally, Securities Exchange Commission ("SEC"), Municipal Securities Rulemaking Board ("MSRB"), and the Government Finance Officers Association ("GFOA") guidelines encourage full disclosure so that potential investors have sufficient data to analyze the proposed financing. BTLLC shall review the official statement to insure that the District's official statement is compiled in a manner consistent with industry standards, typically including the following matters:

* Legal authority for the Financing;
* Security for the Financing;
* Restrictions on additional financings;
* Purpose and Funds for which the Financing is being issued;
* Governmental and Financial Management System;
* Historic and Projected Debt Service Coverage
* Property values, concentration of ownership, percentage of development and land use;
* Delinquency history;
* Legal opinions regarding tax exemption; and
* Such other matters as the context may require.

6. Procure and Coordinate Additional Service Providers.

Should the District desire, BTLLC may act as the District's representative in procuring the services of a trustee, paying agent or fiscal agent, verification agent, or other professionals, as necessary.

7. Provide Financial Advice to the District Relating to Financing Documents.

BTLLC shall assist the consultants, bond counsel and/or other legal advisors in the drafting of the respective financing resolutions, notices and other legal documents. In this regard, BTLLC shall monitor document preparation for a consistent and accurate presentation of the recommended business terms and financing structure, it being specifically understood however that BTLLC's services shall in no manner be construed as engaging in the practice of law.

8. Compute Sizing and Design Structure of Debt Issue.

BTLLC shall work with the District's staff to design a financing that is consistent with the District's objectives and that reflects current conditions in the capital markets. BTLLC will perform numerical iterations to provide examples of financing scenarios, prepare sources and uses of funds, debt service schedules and cash flow projections, as needed. BTLLC will also prepare pro formas and structure debt consistent with existing terms and conditions that the District desires to maintain.

9. Conduct Marketing and Distribution.

BTLLC shall provide regular summaries of current municipal bond market conditions, trends in the market and how these may favorably or unfavorably affect the District's proposed financing.

As underwriter, our marketing strategy will be (A) to establish strong demand from local and in-state retail investors through an aggressive pre-marketing effort and a retail order period; (B) to target institutional buyers, in-state and nationally, that are dedicated to California municipal bonds; (C) to educate the largest institutions with the most buying power (national bond funds and insurance companies) on the quality and security of the issue; and (D) on the sale date, to establish retail demand as a foundation for the financing by allocating the issue to retail orders on a priority basis, using the retail yield levels to obtain more aggressive orders from institutional buyers.

10. Prepare Market Commentary and Sales Comparables.

BTLLC will prepare market commentary, interest rate information and comparable bond sales in order to educate the District about the current bond market conditions and interest rates. BTLLC will structure rates and terms with the sophisticated investors that are reflective of the municipal bond market at the time and that are acceptable to the District.

11. Structure Financing Terms.

Our goal is to achieve the best possible financing terms (which usually translates into the lowest cost of borrowing). These terms will be weighed and considered against what the investor will accept (and at what price) and what works best for the District. Financing terms can include reserve funds, serial versus terms bonds, final maturity, call provisions, capitalized interest and additional bonds.

12. Provide Pre-Closing and Closing Activities.

BTLLC shall assist in arranging for the closing. BTLLC shall assist bond counsel in assuming responsibility for such arrangements as they are required, including arranging for or monitoring the progress of final delivery of the securities and settlement of the costs of issuance.

Representations.

Confirming discussions with the District regarding risk, BTLLC represents the following:

a. we have no conflict of interest with the District, such as a third party payment or profit-sharing with investors in connection with this financing;
b. we have made every effort to have a reasonable basis for all information provided and to present it in a clear, accurate and not misleading presentation;
c. it must be noted that as a broker/dealer, our relationship with an issuer is basically an arm's-length commercial transaction and we may have financial and other interests that differ from the District.
d. we are not acting as a municipal advisor, financial advisor or fiduciary to the District or any other person or entity and have not assumed any advisory or fiduciary responsibility to the District with respect to the transaction contemplated hereby and the discussions, undertakings and proceedings leading thereto.
e. the only obligations we have to the District with respect to the transaction contemplated hereby expressly are set forth in this Agreement, except as otherwise provided by applicable rules and regulations of the SEC or the rules of the MSRB.
f. the District has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate in connection with the transaction.

The District and BTLLC have each caused this Agreement to be executed by their duly authorized officers as of the date first above written.

BRANDIS TALLMAN LLC

_____
Richard Brandis, President

_____
Nicole Tallman, C.E.O.

SWEETWATER SPRINGS WATER DISTRICT

By:_____
Steve Mack, General Manager

EXHIBIT B

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Henry Har
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_____, 2013

Steve Mack
General Manager
Sweetwater Springs Water District
P.O. Box 48
Guerneville, CA 95446

RE: Engagement for Bond Counsel and Disclosure Counsel Legal Services – Refunding of 1992 and 2003 USDA Bonds

Dear Mr. Mack:

Thank you for retaining Meyers, Nave, Riback, Silver & Wilson ("Meyers Nave") to perform certain legal services for the Sweetwater Springs Water District (the "District") in connection with the refunding of the District's outstanding bonds directly purchased by the United States Department of Agriculture ("USDA") in 1992 and 2003. We appreciate the opportunity to serve as your lawyers and look forward to working with you.

This letter sets forth our agreement concerning the legal services we will provide and our fee arrangements for those services. Please read this entire agreement before signing and returning it to us. If appropriate as a condition to signing this agreement, please also submit for consideration and approval.

1. Scope of Engagement. Henry Har will be the lead attorney for all legal services provided by our firm under this engagement, and Stephen Taber will assist him and serve as lead bond counsel while Henry Har will also serve as lead disclosure counsel to the District. They will be assisted by other attorneys and paralegals as appropriate. From time to time any of them will consult with you or your designees regarding specific matters within this engagement and the scope of our services with respect to those matters. The principal element of our services will be bond counsel and disclosure counsel services relating the refunding of the USDA bonds issued in 1992 and 2003.

Bond counsel services consist of the following:

1. Advice and counsel with respect to the structure of the transaction.

2. Preparation of resolutions and notices.

3. Preparation of legal documents, including (as applicable) an indenture, lease or purchase documents, a loan agreement, a resolution and other principal and ancillary documents.

4. Preparation and delivery of an opinion of bond counsel and supplemental bond opinions.

5. Coordination of the closing, including preparation of the closing transcript.

Disclosure counsel services consist of the following:

1. Coordinate a due diligence review of the District.

2. Draft the offering document and, if applicable, undertake a continuing disclosure process.

3. Prepare a bond purchase agreement upon the District's request.

4. Coordinate the distribution of the preliminary and final offering documents.

5. Preparation and delivery of a disclosure counsel opinion.

As may be warranted, our legal services shall include general consultation, guidance and recommendations that may be informed by our experience and knowledge, but are intended to be considered together with facts and circumstances and matters of business judgment, public policy, risk management as well as legal issues which have not been settled or determined, or about which lawyers might reasonably differ. Any reference to legal services or practices not provided by Meyers Nave shall not be incorporated by reference or otherwise construed to express any concurrence, acquiescence or other view of Meyers Nave. We understand that our work may extend to matters beyond the services described above only by written confirmations executed by the District and Meyers Nave that such work shall be included within the scope of this agreement.

2. Fees and Personnel. As compensation for our services, Meyers Nave shall be paid legal fees at the hourly rates of $325 for Henry Har, $495 for Stephen Taber and $135 for paralegal assistance, up to a cap of $75,000 for bond counsel and disclosure counsel services. In addition to hourly fees, we may incur out-of-pocket expenses related to this engagement and shall be entitled to reimbursement of our customary out-of-pocket expenses for duplicating, telephone and facsimile transmission charges, postage and express delivery charges, travel expense and preparation and distribution of closing transcripts to participants. These fees and expenses for bond counsel and disclosure counsel services shall be payable from bond proceeds, provided that if the financing does not close within six (6) months of the date hereof, such fees and expenses shall be payable immediately.

3. Billing and Payment Responsibilities. We will send monthly statements which are due within 30 days of receipt; as to all other matters for which payment is not due within 30 days of receipt, we will send monthly statements for billable legal services and costs for which we anticipate payment, subject to the terms and conditions of each confirmation for its applicable matter. If you

have any questions about our invoice, please promptly telephone or write me so that we may discuss these matters. If for any reason you are dissatisfied with our legal services and promptly call the problem to our attention, then if we fail to resolve the problem to your satisfaction, we will adjust our fees to an amount you consider to be fair under the circumstances.

4. Communications and Protocols. All services to be provided under this engagement shall be in accordance with the following communications and protocols:

(a) You agree to receive unencrypted email and email attachments from Meyers Nave pertaining to this engagement as well as other matters that may interest you.

(b) Meyers Nave shall not express its legal opinion except in the form of a written opinion letter labeled as such. Any views or conclusions expressed in the course of conversations or in any effort to document them should be viewed only as general guidance in a situation that may be fluid and could evolve unpredictably. Such views or conclusions speak only as of their date and may be subject to change with or without notice to you.

(c) Whether or not expressly labeled as such, each email communication from Meyers Nave shall be presumed to be a privileged and confidential attorney-client communication.

(d) No addressee of any privileged and confidential attorney-client communication shall forward, copy or otherwise relay such communication to anyone or any organization without the prior express authorization of the or anyone designated in writing by the District. The "reply to all" feature should not be used without prior consideration of this protocol.

(e) During this engagement, the use of "we" or "us" or the equivalent in any communication shall be presumed to refer to the sender and each addressee rather than to Meyers Nave, except as expressly stated to refer to Meyers Nave.

5. Termination of Services. You may terminate our services at any time by written notice. After receiving such notice, we will cease providing services. We will cooperate with you in the orderly transfer of all related files and records to your new counsel.

We may terminate our services at any time with your consent or for good cause. Good cause exists if (a) any statement is not paid within 60 days of its due date; (b) you fail to meet any other obligation under this agreement and continue in that failure for 15 days after we send written notice to you; (c) you have misrepresented or failed to disclose material facts to us, refused to cooperate with us, refused to follow our advice on a material matter, or otherwise made our representation unreasonably difficult; or (d) any other circumstance exists in which ethical rules of the legal profession mandate or permit termination, including situations where a conflict of interest arises. If we terminate our services, you agree to execute a substitution of attorneys promptly and otherwise cooperate in effecting that termination.

Termination of our services, whether by you or by us, will not relieve the obligation to pay for services rendered and costs incurred before our services formally ceased.

6. Insurance. During the term of this engagement, Meyers Nave shall take out and maintain general liability and property damage insurance in amounts not less than $1,000,000; professional errors and omissions insurance in amounts not less than $2,000,000 per occurrence and $4,000,000 aggregate, which insurance may not be canceled or reduced in required limits of liability without written notice to you not less than ten days prior to such event.

7. No Guarantee of Outcome. Any comments made by us about the potential outcome of this matter are expressions of opinion only and are not guarantees or promises about any outcome or results.

8. Governing Law; Venue. This agreement shall be governed by and construed in accordance with the laws of the State of California without regard to principles of conflicts of laws. Any action to enforce or interpret this Agreement shall be filed in the Superior Court of Alameda County, California, or in the Federal District Court for the Central District of California.

9. Entire Agreement; Full Understanding; Modifications in Writing. This letter contains our entire agreement about our representation and excludes any communication prior to the date of this letter. Any modifications, confirmations or additions to this letter agreement must be made in writing.

10. Joint Representation. Our firm maintains relationships with certain legal specialists, including but not limited to Perry Israel of the Law Office of Perry Israel, Sacramento, California, with respect to federal income tax considerations for tax-exempt financings. Mr. Israel's hourly rate of $500 shall be paid by the District as part of our firm's billing and is included in our total cap of $75,000 for this engagement. Because these individuals are deemed independent contractors under the applicable provisions of the tax laws and not employees of the firm, it is necessary that you consent to dual representation by the firm and the specialist in the event the matter which you have engaged us to handle requires the use of that specialist. This arrangement in and of itself has no effect whatsoever on the cost of your legal services, rather it is an ethical requirement that we disclose this fact and that you consent. You are consenting by signing this letter.

11. Conflicts. Our firm represents many public agencies in California, Nevada and Arizona. Since 1986, we have represented over seven hundred public clients, including numerous cities, redevelopment agencies, special districts, counties and other public entities, as well as financial institutions, bond issuers, and other borrowers and we are accepting new engagements all the time. It is virtually inevitable that we will work on projects from other clients having different governmental or political objectives, beliefs or views from those of the District.

In view of the fact that the District is a California special district, this letter confirms that the services which we are rendering to you are limited in scope and for the benefit of the District only. Meyers Nave performs a variety of professional services for its clients, and it is possible that we will represent public agency clients which are adverse to you on <u>other</u> matters. To avoid potential problems, you agree that you expressly waive any actual or potential conflicts that might arise from such representation, that you will not attempt to disqualify Meyers Nave on such matters, and that Meyers Nave is free to represent its clients on such matters.

By signing this letter and returning it to us, you acknowledge that we have discussed these matters and you confirm that the does not object to Meyers Nave's representation of clients on matters where their legal, governmental or political objectives and/or positions may be different from or adverse to those of the District, and that the waives any conflict of interests with respect to our representation of such clients with differing legal, governmental or political interests. You further confirm that the District will not assert any conflict of interest concerning such representation or attempt to disqualify Meyers Nave from representing such clients notwithstanding such adversity. While you would certainly be free to terminate our relationship, you agree that Meyers Nave nonetheless would be free to represent such clients even on those matters which you consider adverse, and that you waive any conflict of interest in connection therewith.

Of course, these acknowledgments do not permit Meyers Nave to represent another client in opposing the specific matters for which you engage Meyers Nave without your specific written consent.

You may wish, and we encourage you, to consult legal counsel regarding the effect of this conflict waiver.

We would request that you review this letter carefully and, if it is consistent with your understanding of our respective responsibilities, please so indicate by returning a signed copy of this letter to me at your earliest convenience. Again, we thank you for allowing us the opportunity to serve as your lawyers.

Very truly yours,

Henry Har

Very truly yours,

Stephen Taber

These terms are accepted and agreed to as of the date of this letter.

By: _____
Steve Mack
General Manager

Enclosures
c: Conflicts Department
Billing Department

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