



ORANGE COUNTY FIRE AUTHORITY AGENDA

Budget and Finance Committee Meeting
Wednesday, March 11, 2015
12:00 Noon

Orange County Fire Authority
Regional Fire Operations and Training Center
1 Fire Authority Road
Room AE117
Irvine, California 92602

Jerry McCloskey, Chair
Vacant, Vice Chair
Gerard Goedhart Gene Hernandez Al Murray
Todd Spitzer Elizabeth Swift Tri Ta
Bruce Channing - Ex Officio

This Agenda contains a brief general description of each item to be considered. Except as otherwise provided by law, no action or discussion shall be taken on any item not appearing on the following Agenda. Unless legally privileged, all supporting documents, including staff reports, and any writings or documents provided to a majority of the Budget and Finance Committee after the posting of this agenda are available for review at the Orange County Fire Authority Regional Fire Operations & Training Center, 1 Fire Authority Road, Irvine, CA 92602 or you may contact Sherry A.F. Wentz, Clerk of the Authority, at (714) 573-6040 Monday through Thursday, and every other Friday from 8 a.m. to 5 p.m. and available online at <http://www.ocfa.org>

If you wish to speak before the Budget and Finance Committee, please complete a Speaker Form identifying which item(s) you wish to address. Please return the completed form to the Clerk of the Authority. Speaker Forms are available on the counter noted in the meeting room.



In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, you should contact the Clerk of the Authority at (714) 573-6040. Notification 48 hours prior to the meeting will enable the Authority to make reasonable arrangements to assure accessibility to the meeting.

CALL TO ORDER

PLEDGE OF ALLEGIANCE by Director Murray

ROLL CALL

ELECTION OF VICE CHAIR

COMMITTEE MEMBER ORIENTATION

1. PRESENTATIONS

No items.

PUBLIC COMMENTS

Any member of the public may address the Committee on items within the Committee's subject matter jurisdiction but which are not listed on this agenda during PUBLIC COMMENTS. However, no action may be taken on matters that are not part of the posted agenda. We request comments made on the agenda be made at the time the item is considered and that comments be limited to three minutes per person. Please address your comments to the Committee as a whole, and do not engage in dialogue with individual Committee Members, Authority staff, or members of the audience.

2. MINUTES**A. Minutes for the February 11, 2015, Budget and Finance Committee Meeting**

Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:

Approve as submitted.

3. CONSENT CALENDAR**A. FY 2014/15 Mid-Year Budget Adjustment**

Submitted by: Lori Zeller, Assistant Chief/Business Services Department

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 26, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors authorize the proposed mid-year budget adjustments.

B. 2014 Homeland Security Grant Program Agreement to Transfer Property or Funds

Submitted by: Dave Thomas, Assistant Chief/Operations Department

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 26, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors authorize the following:

1. Adopt the proposed Resolution authorizing the Fire Chief, or his designee, to execute the Agreement to Transfer Property or Funds for 2014 Homeland Security Grant Program Purposes.
2. Increase revenue and appropriations in the FY 2014/15 General Fund by \$160,000 for the Fire Captain position at the Orange County Intelligence Assessment Center.

C. Financial Audit Services Contract Renewal

Submitted by: Lori Zeller, Assistant Chief/Business Services Department

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of March 19, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee approve and authorize the Purchasing Manager to renew the Blanket Order with Lance, Soll & Lunghard, LLP for two additional years in the aggregate amount of \$141,844. The reduced annual amount is a result of a change in the scope of work referenced in the background of this staff report.

4. DISCUSSION CALENDAR**A. Monthly Investment Reports**

Submitted by: Patricia Jakubiak, Treasurer

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of March 19, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. Updated Broker/Dealer List

Submitted by: Patricia Jakubiak, Treasurer

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee Meeting of March 19, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee approve the proposed Broker/Dealer List to include the following three firms:

- FTN Financial
- Raymond James
- UBS Financial Services

C. Organizational Development and Training (ODT) Manager Position

Submitted by: Brian Young, Assistant Chief/Organizational Planning Department

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 26, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors:

1. Approve and authorize staff to unfreeze and fund the ODT Manager position for the remainder of FY 2014/15.
2. Authorize a budget adjustment in Fund 121 in the amount of \$53,685 to fund the position for the remainder of FY 2014/15.

REPORTS

No items.

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, April 8, 2015, at 12:00 noon.

AFFIDAVIT OF POSTING

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted in the lobby and front gate public display case of the Orange County Fire Authority, Regional Training and Operations Center, 1 Fire Authority Road, Irvine, CA, not less than 72 hours prior to the meeting. Dated this 5th day of March 2015.

Sherry A.F. Wentz, CMC
Clerk of the Authority

UPCOMING MEETINGS:

Claims Settlement Committee Meeting	Thursday, March 19, 2015, 5:30 p.m.
Executive Committee Meeting	Thursday, March 19, 2015, 6:00 p.m.
Board of Directors Meeting	Thursday, March 26, 2015, 6:00 p.m.
Human Resources Committee Meeting	Tuesday, April 7, 2015, 12:00 noon
Budget and Finance Committee Meeting	Wednesday, April 8, 2015, 12:00 noon

MINUTES

ORANGE COUNTY FIRE AUTHORITY

Budget and Finance Committee Meeting
Wednesday, February 11, 2015
12:00 Noon

Regional Fire Operations and Training Center
Room AE117
1 Fire Authority Road
Irvine, CA 92602

CALL TO ORDER

A regular meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on February 11, 2015, at 12:00 p.m. by Chair McCloskey.

PLEDGE OF ALLEGIANCE

Director Swift led the assembly in the Pledge of Allegiance to our Flag.

ROLL CALL

Present:

Sam Allevato, San Juan Capistrano
Eugene Hernandez, Yorba Linda
Jerry McCloskey, Laguna Niguel
Al Murray, Tustin
Elizabeth Swift, Buena Park

Absent:

Todd Spitzer, County of Orange

Also present were:

Fire Chief Jeff Bowman
Assistant Chief Mike Schroeder
Assistant Chief Lori Zeller
Communications Director Sandy Cooney
Clerk of the Authority Sherry Wentz

Deputy Fire Chief Craig Kinoshita
Assistant Chief David Thomas
General Counsel David Kendig
Human Resources Director Jeremy Hammond

PUBLIC COMMENTS

Chair McCloskey opened the Public Comments portion of the meeting.

Stephen Wontrobski, Mission Viejo resident, spoke regarding his request to review working documents associated with the audit firm Lance, Soll & Lunghard.

Chair McCloskey closed the Public Comments portion of the meeting.

CLOSED SESSION

Chair McCloskey reported the Committee would be convening to Closed Session to consider the matter on the Agenda identified as CS1 Conference with Legal Counsel-Anticipated Litigation.

Chair McCloskey recessed the meeting to Closed Session at 12:06 p.m.

- CS1. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION**
Authority: Exposure to Litigation pursuant to Government Code Section 54956.9(b)
(1 case)

Chair McCloskey reconvened the meeting at 12:23 p.m. with all prior Committee Members present.

CLOSED SESSION REPORT

General Counsel David Kendig indicated the Committee had taken no reportable action.

1. MINUTES

A. Minutes for the January 14, 2015, Budget and Finance Committee Meeting

On motion of Director Murray and second by Vice Chair Allevato, the Committee voted unanimously to approve the Minutes of the January 14, 2015, Budget and Finance Committee Meeting, as submitted. Directors Allevato and Hernandez abstained.

2. CONSENT CALENDAR

A. Monthly Investment Reports (F: 11.10D2)

On motion of Director Swift and second by Vice Chair Allevato, the Committee voted unanimously to direct staff to place the item on the agenda for the Executive Committee meeting of February 19, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. Second Quarter Financial Newsletter

On motion of Director Swift and second by Vice Chair Allevato, the Committee voted unanimously to direct staff to place the item on the agenda for the Executive Committee meeting of February 19, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

3. DISCUSSION CALENDAR

A. Capital Projects Fund Policy

Assistant Chief Lori Zeller introduced Finance Manager Jim Ruane who introduced Senior Accountant Tammi Pickens who provided a report on the Capital Projects Fund Policy.

On motion of Director Swift and second by Vice Chair Allevato, the Committee voted unanimously to direct staff to place the item on the agenda for the Board of Directors meeting of February 26, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors approve the following actions:

1. Adopt the new *Capital Projects Fund Policy* effective July 1, 2014.
2. Adopt the revised *Assigned Fund Balance Policy* effective July 1, 2014.
3. Re-name and/or re-define three of the existing capital projects funds (Communications & Information Systems; Vehicle Replacement; and Facilities Replacement) to more fully reflect the types of activities being accounted for in the funds.
4. Authorize a transfer from the Facilities Maintenance & Improvements Fund to the General Fund totaling \$2,710,702 (beginning fund balance as of July 1, 2014) and the subsequent closure of the Facilities Maintenance & Improvements Fund. Increase Fiscal Year 2014/15 budgeted transfers in and out of both funds accordingly.
5. Establish an initial "assignment for the capital improvement program" within the General Fund in the amount of \$2,680,975, to be adjusted annually thereafter in accordance with the revised *Assigned Fund Balance Policy*.

B. Purchasing Regulations for Change Orders

Assistant Chief Lori Zeller provided a report on the Purchasing Regulations for Change Orders.

On motion of Director Swift and second by Vice Chair Allevato, the Committee voted unanimously to direct staff to place the item on the agenda for the Board of Directors meeting of February 26, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors approve the submitted changes to the Roles/Responsibilities/Authorities Matrix.

C. Air Operations Program Enhancements: Staffing, Schedule and Safety Management System

Assistant Chief Dave Thomas provided a PowerPoint presentation on the Air Operations Program Enhancements.

Stephen Wontrobski, Mission Viejo resident, spoke on his opposition to the Air Operations Program Enhancements.

On motion of Director Murray and second by Director Hernandez, the Committee voted unanimously to direct staff to place the item on the agenda for the Board of Directors meeting of February 26, 2015, with the Budget and Finance Committee’s recommendation that the Board of Directors authorize the following actions:

	<u>Fiscal Impact</u>
1. Support the Fire Chief’s recommendation to modify the current Helicopter work schedule to a 24/7, three platoon schedule.	(\$6,054) annual savings
2. Direct staff to return to the Board of Directors for approval of a contract to construct sleeping accommodations in the existing hangar facility.	\$100,000 one-time cost
3. Approve a sole source contract with Argus-Prism for Safety Management Systems software, training and maintenance for a three-year term.	\$28,000 three-year cost
4. Authorize the addition of one Firefighter/Paramedic to the Air Operations Helicopter Program during weekends only, for a six-month trial period.	\$65,652 six-month trial
5. Direct staff to include these changes in the FY 2014/15 mid-year budget adjustments that will be submitted to the Board of Directors in March.	
Total Request (facility, software, FF/PM trial)	<u>\$187,598</u>

D. Independent Accountant’s Work Papers and Notes

Assistant Chief Lori Zeller provided a report on the Independent Accountant’s Work Papers and Notes.

Stephen Wontrobski, Mission Viejo resident, spoke on his opposition to the report and expressed his continued concern regarding the LSL contract and access to working documents.

Brian Gruber, CPA with LSL, spoke in favor of the report and reiterated that the work papers and notes are the property of LSL.

On motion of Director Hernandez and second by Vice Chair Allevalo, the Committee voted unanimously to receive and file the report.

COMMITTEE MEMBER COMMENTS

Vice Chair Allevato thanked Fire Chief Bowman and Division Chief Kirk Wells for meeting with the San Juan Capistrano City Manager and him at Fire Station 7.

Director Swift provided an update on a potential future location for Fire Station 61 in the City of Buena Park.

Chair McCloskey commended all nominees and winners from the Best and Bravest Awards Ceremony. He congratulated Firefighter Dan Brown on being the recipient of the Career Firefighter of the Year award.

ADJOURNMENT – Chair McCloskey adjourned the meeting at 1:19 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, March 11, 2015, at 12:00 noon.

Sherry A. F. Wentz, CMC
Clerk of the Authority



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
March 11, 2015

Agenda Item No. 3A
Consent Calendar

FY 2014/15 Mid-Year Budget Adjustment

Contact(s) for Further Information

Lori Zeller, Assistant Chief Business Services Department	lorizeller@ocfa.org	714.573.6020
Tricia Jakubiak, Treasurer	triciajakubiak@ocfa.org	714.573.6301
Deborah Gunderson, Budget Manager	deborahgunderson@ocfa.org	714.573.6302

Summary

This item is submitted to request approval to adjust revenue, expenditures, and fund balance to reflect changes identified after adoption of the FY 2014/15 budget. Budgeted beginning fund balances have been revised based on the FY 2013/14 audited financial statements.

Prior Board/Committee Action

A comprehensive mid-year financial review was presented to the Budget and Finance Committee and the Board of Directors in January, highlighting proposed mid-year changes that are needed to the FY 2014/15 budget based on events that have occurred since the budget was adopted last May. The Board directed staff to return in March with the technical budget adjustments required to implement the proposed changes.

Recommended Action(s)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 26, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors authorize the proposed mid-year budget adjustments.

Impact to Cities/County

The proposed mid-year adjustments to the FY 2014/15 budget will have no impact to cash contract city charges in the current FY. The future increase for cash contract cities is currently estimated at 3.25% for FY 2015/16 (excluding the catch-up provision) based on the Five-Year Financial Forecast.

Fiscal Impact

Financial impact has been presented in the report.

Background

This report is submitted to request approval of the technical budget adjustments following the January mid-year financial review. The attached extended background includes a summary of the significant changes being requested (see Attachment 1 for the total proposed adjustment for each Fund).

The Combined Budget Summary (Attachment 2) represents the total adjusted budget for the OCFA and details the revenue and expenditure budgets in each fund assuming these proposed adjustments are approved.

Attachment(s)

1. FY 2014/15 Mid-Year Budget Adjustments
2. Combined Budget Summary

Background

FY 2014/15 General Fund

Overall the proposed General Fund changes result in a total revenue increase of approximately \$15.3 million and a total expenditure increase of approximately \$4.7 million. Additional expenditure adjustments of approximately \$8 million were completed in January, including accrual of the Jurisdictional Equity Adjustment Payments (JEAPs), and the use of prior year unencumbered fund balance for accelerated paydown of OCFA's pension liability with OCERS.

FY 2014/15 General Fund Revenue Adjustments

Property Taxes: Based on the Auditor/Controller tax ledger and current receipts, property tax revenues are estimated to exceed the budget by approximately \$9.3 million. \$9,360,000

Assistance by Hire (ABH): Assistance by Hire is the term used when OCFA responds to requests for assistance on incidents outside our area of responsibility, on a reimbursement basis. Current year activity is approximately \$4.7 million greater than budget due to various out-of-county responses. An expenditure adjustment is also proposed to the overtime/backfill/incident expenditures categories. \$4,720,000

Community Risk Reduction (CRR) Fees: In July, the Board approved a change to the CRR fee schedule, resulting in a net reduction to CRR fees and revenue. (\$890,000)

Community Redevelopment Agency (CRA) Pass-Through: Current receipts of pass-through revenues are exceeding budget. Notable adjustments include a one-time payment of approximately \$717,000 due to the settlement of a lawsuit between the City of Irvine and the California Department of Finance, as well as a delayed pass-through from Yorba Linda which was due in FY 2013/14 but received in the current year. \$2,700,000

Interest: Estimated interest is being adjusted based on updated information, including a combination of six months of actual interest earnings and projections for the remaining six months of the fiscal year. (\$500,000)

Other Miscellaneous Revenues: Various changes are anticipated to categories of miscellaneous revenues, for a total net decrease of approximately \$100,000. (\$100,000)

Total FY 2014/15 General Fund Revenue Changes **≈ \$15,290,000**

FY 2014/15 General Fund Expenditure Adjustments

Overtime/backfill/incident expenditures: As mentioned under revenue for Assistance by Hire, this account will require an increase related to out-of-county responses.	\$3,200,000
MOU and Staffing Related Changes: Several changes in staffing configurations and changes introduced by the recently approved MOUs require budget adjustments in the current FY for a net increase of approximately \$1.1 million.	\$1,080,000
Professional Services: Professional services expenditure budgets require an increase of \$520,000 including funding for the labor negotiator, Special Litigation Counsel, General Counsel, actuarial study, Fire Station 11 Architectural design and ADA upgrades, and Microsoft training platform.	\$520,000
Air Operations: An adjustment is required to fund several Air Operations changes approved by the Board in February, combined with component purchases for a total increase of \$490,000.	\$490,000
TRAN Interest Expense: TRAN interest expense is being adjusted based on updated information, including a combination of six months of actual interest expense and projections for the remaining six months of the fiscal year.	(\$570,000)

Total FY 2014/15 General Fund Expenditure Changes **≈ \$4,720,000**

General Fund Beginning Fund Balance Adjustment

The beginning fund balances will be adjusted in accordance with the FY 2013/14 year-end audit. These increases resulted primarily from additional revenue received in the fiscal year, as well as salary savings and services & supplies savings.

FY 2014/15 Capital Improvement Funds/Other Funds

- Facilities Maintenance and Improvements Fund (Fund 122): This fund has been approved by the Board for closure and transfer to the General Fund. The chart of accounts will be adjusted and provides staff the ability to track budgets and expenditures on a per-station basis in the same manner as within Fund 122. All required budget adjustments will be included in the Fund closure transactions.
- Fire Stations and Facilities (Fund 123): Revenues are increasing by approximately \$3.2 million for anticipated developer contributions, bankruptcy proceeds, and accrued interest updates. The budgeted beginning fund balance will be adjusted by approximately \$1.8 million in accordance with the FY 2013/14 annual financial audit.
- Communications and Information Systems Fund (Fund 124): Revenues are increasing by approximately \$276,000 for bankruptcy proceeds and accrued interest updates. The

budgeted beginning fund balance will be adjusted by approximately \$8.3 million in accordance with the FY 2013/14 annual financial audit.

- Fire Apparatus Fund (Fund 133): Revenues are increasing by approximately \$180,000 for bankruptcy proceeds and accrued interest updates. Expenditures are decreasing by \$155,000 as the purchase of helicopter components is occurring in the General Fund. The budgeted beginning fund balance will be adjusted by approximately \$5.3 million in accordance with the FY 2013/14 annual financial audit.
- Structural Fire Fund Entitlement Fund (Fund 171): Revenues are increasing by approximately \$830 for accrued interest updates. The budgeted beginning fund balance will be adjusted by approximately \$200,000 in accordance with the FY 2013/14 annual financial audit.
- Self-Insurance Fund (Fund 190): Revenues are increasing by \$34,806 for accrued interest updates. Expenditures are decreasing by approximately \$4 million to conform the expenditure budget to the most recent actuarial report. The budgeted beginning fund balance will be adjusted by approximately \$5.2 million in accordance with the FY 2013/14 annual financial audit.

The attached Combined Budget Summary represents the total adjusted budget for the OCFA and details the revenue and expenditure budgets in each fund assuming these proposed adjustments are approved.

FY 2014/15 Mid-Year Budget Adjustments

The following adjustments to the FY 2014/15 budget are requested:

General Fund (Fund 121)

Revenue - \$15,277,167 increase
Budgeted Beginning Fund Balance - \$6,314,655 increase
Appropriations - \$4,730,420 increase
Operating Transfer Out - \$2,416,314 increase

Facilities Maintenance and Improvement Fund (Fund 122)

Slated for closure – all required adjustments and transfers will be included in the Fund closure transactions

Fire Stations and Facilities Fund (Fund 123)

Revenue - \$3,242,502 increase
Budgeted Beginning Fund Balance - \$1,811,725 increase
Appropriations – No Change

Communications and Information Systems Fund (Fund 124)

Revenue - \$275,759 increase
Operating Transfer In - \$2,797,970 increase
Budgeted Beginning Fund Balance - \$8,282,659 increase
Appropriations – No Change

Fire Apparatus Fund (Fund 133)

Revenue - \$179,896 increase
Budgeted Beginning Fund Balance - \$5,265,616 increase
Appropriations - \$155,000 decrease

Structural Fire Fund Entitlement Fund (Fund 171)

Revenue - \$830 increase
Budgeted Beginning Fund Balance - \$212,726 increase
Appropriations – No Change

Self-Insurance Fund (Fund 190)

Revenue - \$34,806 increase
Budgeted Beginning Fund Balance - \$5,198,580 increase
Appropriations - \$3,980,483 decrease

**ORANGE COUNTY FIRE AUTHORITY
COMBINED BUDGET SUMMARY
FY 2014/15**

	121 General Fund	<u>CIP Funds</u>				<u>Other Funds</u>		Total
		122 Facilities Maint & Improvement*	123 Fire Stations & Facilities	124 Communications & Info. Systems	133 Fire Apparatus	171 SFF Entitlement	190 Self Insurance	
FUNDING SOURCES								
<i>Property Taxes</i>	\$204,827,822	\$0	\$0	\$0	\$0	\$0	\$0	\$204,827,822
<i>Intergovernmental</i>								
State Reimbursements	8,503,164	-	-	-	-	-	-	8,503,164
Federal Reimbursements	2,745,522	1,124,780	-	-	-	-	-	3,870,302
Community Redevelopment Pass-thru	9,311,988	-	-	-	-	-	-	9,311,988
<i>Charges for Current Services</i>								
Contracts	87,564,667	292,403	-	-	1,381,161	-	-	89,238,231
HMS Revenue	-	-	-	-	-	-	-	-
Fees - Community Risk Reduction	6,448,604	-	-	-	-	-	-	6,448,604
Other Charges for Services	171,535	-	-	-	-	-	-	171,535
ALS Reimbursements, Supplies	4,570,574	-	-	-	-	-	-	4,570,574
Charges for Workers' Comp	-	-	-	-	-	-	13,811,667	13,811,667
<i>Use of Money and Property</i>								
Interest	384,176	6,117	42,548	45,340	74,275	2,326	178,207	732,989
<i>Other</i>								
Developer contributions	-	-	7,128,450	-	643,106	-	-	7,771,556
Miscellaneous	1,266,125	-	150,172	253,528	155,579	-	-	1,825,404
<i>Other Funding Sources</i>								
Total Revenues & Other Financing Sources	325,794,177	1,423,300	7,321,170	298,868	2,254,121	2,326	13,989,874	351,083,836
Operating Transfer In	-	-	-	3,000,906	-	-	-	3,000,906
Beginning Fund Balance	53,456,136	2,669,908	10,918,466	16,441,734	26,299,601	784,617	60,921,529	171,491,991
TOTAL AVAILABLE RESOURCES	\$379,250,313	\$4,093,208	\$18,239,636	\$19,741,508	\$28,553,722	\$786,943	\$74,911,403	\$525,576,733
EXPENDITURES								
Salaries & Emp Benefits	\$306,588,160	\$0	\$0	\$0	\$0	\$0	\$0	\$306,588,160
Services & Supplies	32,450,779	2,150,798	-	2,701,459	83,896	216,213	6,891,895	44,495,040
Capital Outlay	214,914	503,978	5,749,437	6,763,638	10,345,545	-	-	23,577,512
Debt Service	329,083	-	-	-	2,531,723	-	-	2,860,806
Total Expenditures	\$339,582,936	2,654,776	5,749,437	\$9,465,097	12,961,164	216,213	6,891,895	377,521,518
Appropriation for Contingencies	3,000,000	-	-	-	-	-	-	3,000,000
Operating Transfer Out	3,000,906	-	-	-	-	-	-	3,000,906
Ending Fund Balance	33,666,471	1,438,432	12,490,199	10,276,411	15,592,558	570,730	68,019,508	142,054,309
TOTAL FUND COMMITMENTS & FUND BALANCE	\$379,250,313	\$4,093,208	\$18,239,636	\$19,741,508	\$28,553,722	\$786,943	\$74,911,403	\$525,576,733

* Board approved closure of Fund; adjustment and transfers in progress



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
March 11, 2015

Agenda Item No. 3B
Consent Calendar

2014 Homeland Security Grant Program
Agreement to Transfer Property or Funds

Contact(s) for Further Information

Dave Thomas, Assistant Chief davethomas@ocfa.org 714.573.6012
Operations Department

Randy Black, Battalion Chief randyblack@ocfa.org 714.573.6056

Summary

This item is submitted for approval of a Resolution authorizing the Fire Chief to execute an agreement to receive grant funds to transfer or purchase equipment/services to the Orange County Fire Authority (OCFA) as a sub-grantee to the Orange County Sheriff-Coroner Department.

Prior Board/Committee Action

Not Applicable.

Recommended Action(s)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 26, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors authorize the following:

1. Adopt the proposed Resolution authorizing the Fire Chief, or his designee, to execute the Agreement to Transfer Property or Funds for 2014 Homeland Security Grant Program Purposes.
2. Increase revenue and appropriations in the FY 2014/15 General Fund by \$160,000 for the Fire Captain position at the Orange County Intelligence Assessment Center.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Increase of \$160,000 to revenue and appropriations in the FY 2014/15 General Fund.

Background

The State Homeland Security Grant Program is one of seven Homeland Security Grant Programs. The goal of the State Homeland Security Grant Program is to provide funds to build the capabilities at the state and local levels to prevent, prepare, respond, and recover from a terrorism act, and natural and manmade disasters.

As part of the Homeland Security Grant Program, the Operational Area is required to appoint an Anti-Terrorism Approval Body to determine the allocation of grant funds. The Approval Body consists of the Orange County Sheriff, the Orange County Public Health Officer, the OCFA Fire Chief, a municipal Fire Chief, and a Municipal Police Chief. Historically, the approval body has directed funds to the following areas: 20% - fire service; 20% - law; 20% - emergency medical services; and 40% - discretionary.

OCFA has been apportioned \$160,000 of the FY 2014 grant award to the Orange County Operational Area. These funds will be used to reimburse backfill costs to assign one OCFA Fire Captain to the Orange County Intelligence Assessment Center.

Attachment(s)

1. Proposed Resolution
2. GY14 State Homeland Security Grant Program Agreement

RESOLUTION NO. 2015-XX

**A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY
BOARD OF DIRECTORS AUTHORIZING FIRE CHIEF TO EXECUTE
DOCUMENTS NECESSARY TO OBTAIN FEDERAL ASSISTANCE**

WHEREAS, the County of Orange, acting through its Sheriff-Coroner Department in its capacity as the lead agency for the Orange County Operational Area, has applied for, received and accepted a Federal Homeland Security Grant Program grant (the “Grant”), subgranted by the State of California, acting through its California Emergency Management Agency, to enhance county-wide emergency preparedness; and

WHEREAS, the terms of the Grant require the County to use certain grant funds to purchase equipment, technology or services that will be transferred to the Orange County Fire Authority (“OCFA”) as subgrantee to be used for grant purposes; and

WHEREAS, the California Supplement to Federal Program Guidance for the GY14 Homeland Security Grant Program requires all subgrantee applications to include a new “Governing Body Resolution” appointing agents authorized to act on behalf of the Board, and to execute any actions necessary for the application and subgrant.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE ORANGE COUNTY FIRE AUTHORITY, DOES HEREBY RESOLVE THAT:

Fire Chief Jeff Bowman, or his designee, is hereby authorized to execute for and on behalf of the Orange County Fire Authority, a Joint Powers Authority established under the laws of the State of California, any agreements, documents, or actions necessary for the purpose of obtaining federal financial assistance provided by the federal Department of Homeland Security and sub-granted through the State of California.

PASSED, APPROVED, AND ADOPTED this 26th day of March 2015.

ELWYN A. MURRAY, CHAIR
OCFA Board of Directors

ATTEST:

SHERRY A.F. WENTZ, CMC
Clerk of the Authority

1 **AGREEMENT TO TRANSFER PROPERTY OR FUNDS**
2 **FOR 2014 HOMELAND SECURITY GRANT PROGRAM PURPOSES**

3
4 **THIS AGREEMENT** is entered into this _____ day of _____ 201__, which
5 date is identified for purposes of reference only, by and between the COUNTY OF ORANGE, a political
6 subdivision of the State of California, hereinafter referred to as "COUNTY", and
7 Orange County Fire Authority (OCFA), a (municipal corporation/special district/not-for-
8 profit corporation), hereinafter referred to as "SUBGRANTEE."

9 **WHEREAS**, COUNTY, acting through its Sheriff-Coroner Department in its capacity as the lead
10 agency for the Orange County Operational Area, has applied for, received and accepted a grant from the
11 State of California, acting through its California Office of Emergency Services, to enhance county-wide
12 emergency preparedness, hereinafter referred to as "the grant", as set forth in the grant documents that are
13 attached hereto as Attachments A (FY 14 CA Supplement to the Federal Program Guidance), B (FY 14
14 Homeland Security Grant Program Guidance), and C (FY 14 Homeland Security Grant Assurances) and
15 incorporated herein by reference.

16 **WHEREAS**, the terms of the grant require that COUNTY use certain grant funds to purchase
17 equipment, technology or services that will be transferred to SUBGRANTEE to be used for grant
18 purposes.

19 **NOW, THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:**

20 1. COUNTY shall transfer to SUBGRANTEE the equipment, technology or services as
21 specified in Attachment D hereto, which is incorporated herein by reference. If the grant requires
22 COUNTY to transfer to SUBGRANTEE equipment, technology or services that COUNTY has not yet
23 acquired, COUNTY shall transfer said equipment, technology or services to SUBGRANTEE as soon after
24 acquisition by COUNTY as is reasonably practicable.

25 2. If COUNTY transfers grant funds to SUBGRANTEE, SUBGRANTEE shall use said grant
26 funds only to acquire equipment, technology or services as set forth in Attachment B hereto and/or to
27 perform such other grant functions, if any, that Attachments A, B and C permit SUBGRANTEE to expend
28

1 grant funds. SUBGRANTEE shall provide COUNTY with a budget breakdown signed by the authorized
2 agent.

3 3. Throughout its useful life, SUBGRANTEE shall use any equipment, technology or
4 services acquired with grant funds only for those purposes permitted under the terms of the grant, and
5 shall make it available for mutual aid response.

6 4. SUBGRANTEE shall exercise due care to preserve and safeguard equipment acquired with
7 grant funds from damage or destruction and shall provide regular maintenance and repairs for said
8 equipment as are necessary, in order to keep said equipment in continually good working order. Such
9 maintenance and servicing shall be the sole responsibility of the SUBGRANTEE, who shall pay for
10 material and labor costs for any maintenance and repair of said equipment throughout the life of said
11 equipment.

12 5. SUBGRANTEE shall assume all continuation costs of said equipment, technologies and/or
13 services to include but not be limited to upgrades, licenses and renewals of said equipment, technologies
14 and/or services.

15 6. If equipment acquired with grant funds becomes obsolete or unusable, SUBGRANTEE
16 shall notify COUNTY of such condition. SUBGRANTEE shall transfer or dispose of grant-funded
17 equipment only in accordance with the instructions of COUNTY.

18 7. SUBGRANTEE agrees to indemnify, defend and hold harmless COUNTY and their
19 elected and appointed officials, officers, agents and employees from any and all claims and losses accruing
20 or resulting to any and all contractors, subcontractors, laborers, and any other person, firm or corporation
21 furnishing or supplying work services, materials or supplies in connection with SUBGRANTEE's use of
22 grant-funded equipment, technology or services and SUBGRANTEE's performance of this Agreement,
23 including Attachments A, B and C hereto, and from any and all claims and losses accruing or resulting to
24 any person, firm, or corporation who may be injured or damaged by SUBGRANTEE in SUBGRANTEE's
25 use of grant-funded equipment, technology or services and SUBGRANTEE's performance of this
26 Agreement, including Attachments A, B and C hereto.

27 8. By executing this Agreement, SUBGRANTEE agrees to comply with and be fully bound
28 by all applicable provisions of Attachments A, B and C hereto. SUBGRANTEE shall notify COUNTY

1 immediately upon discovery that it has not abided or no longer will abide by any applicable provision of
2 Attachments A, B and C hereto.

3 9. SUBGRANTEE and COUNTY shall be subject to examination and audit by the State
4 Auditor with respect to this Agreement for a period of three years after final payment hereunder.

5 10. No alteration or variation of the terms of this Agreement shall be valid unless made in
6 writing and signed by duly authorized representatives of the parties hereto, and no oral understanding or
7 agreement not incorporated herein shall be binding on any of the parties hereto.

8 11. SUBGRANTEE may not assign this Agreement in whole or in part without the express
9 written consent of COUNTY.

10 12. For a period of three years after final payment hereunder or until all claims related to this
11 Agreement are finally settled, whichever is later, SUBGRANTEE shall preserve and maintain all
12 documents, papers and records relevant to the work performed or property or equipment acquired in
13 accordance with this Agreement, including Attachments A, B and C hereto. For the same time period,
14 SUBGRANTEE shall make said documents, papers and records available to COUNTY and the agency
15 from which COUNTY received grant funds or their duly authorized representative(s), for examination,
16 copying, or mechanical reproduction on or off the premises of SUBGRANTEE, upon request during usual
17 working hours.

18 13. SUBGRANTEE shall provide to COUNTY all records and information requested by
19 COUNTY for inclusion in quarterly reports and such other reports or records as COUNTY may be
20 required to provide to the agency from which COUNTY received grant funds or other persons or agencies.

21 14. COUNTY may terminate this Agreement and be relieved of the payment to
22 SUBGRANTEE if a) SUBGRANTEE fails to perform any of the covenants contained in this Agreement,
23 including Attachments A, B and C hereto, at the time and in the matter herein provided, or b) COUNTY
24 loses funding under the grant. In the event of termination, COUNTY may proceed with the work in any
25 manner deemed proper by COUNTY.

26 15. SUBGRANTEE and its agents and employees shall act in an independent capacity in the
27 performance of this Agreement, including Attachments A, B and C hereto, and shall not be considered
28 officers, agents or employees of COUNTY or of the agency from which COUNTY received grant funds.

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15. SUBGRANTEE and its agents and employees shall act in an independent capacity in the performance of this Agreement, including Attachments A, B and C hereto, and shall not be considered officers, agents or employees of COUNTY or of the agency from which COUNTY received grant funds.

IN WITNESS WHEREOF, the parties have executed this Agreement in the County of Orange, State of California.

DATED: _____, 201_

COUNTY OF ORANGE, a political subdivision of the State of California

By _____
Sheriff-Coroner
"COUNTY"

APPROVED AS TO FORM:

COUNTY COUNSEL

By Wendy A Phillips
Wendy Phillips

DATED: Nov. 12, 2014

DATED: _____

SUBGRANTEE

By: _____
Jeff Bowman, Fire Chief

By: _____

ATTEST:

By _____
City Clerk

DATED: _____, 201_

California Governor's Office of Emergency Services
FY 2014 Grant Assurances
(All HSGP Applicants)

Name of Applicant: Orange County Fire Authority

Address: 1 Fire Authority Road

City: Irvine State: CA Zip Code: 92602

Telephone Number: (714) 573-6000 Fax Number: (714) 368-8826

E-Mail Address: jeffbowman@ocfa.org

As the duly authorized representative of the applicant, I certify that the applicant named above:

1. Will assure that the Funding Opportunity Announcement for this program is hereby incorporated into your award agreement by reference. By accepting this award, the recipient agrees that all allocations and use of funds under this grant will be in accordance with the requirements contained in the FY2014 Homeland Security Grant Program Funding Opportunity Announcement, the California Supplement to the FY2014 Homeland Security Grant Program Funding Opportunity Announcement, and all applicable laws and regulations.
2. All allocations and use of funds under this grant will be in accordance with the Allocations, and use of grant funding must support the goals and objectives included in the State and/or Urban Area Homeland Security Strategies as well as the investments identified in the Investment Justifications which were submitted as part of the California FY2014 Homeland Security Grant Program application. Further, use of FY2014 funds is limited to those investments included in the California FY2014 Investment Justifications submitted to DHS/FEMA and Cal OES and evaluated through the peer review process.
3. Understands that in the event FEMA determines that changes are necessary to the award document after an award has been made, including changes to period of performance or terms and conditions, recipients will be notified of the changes in writing. Once notification has been made, any subsequent request for funds will indicate recipient acceptance of the changes to the award. Please call the FEMA/GMD Call Center at (866) 927-5646 or via e-mail to ASK-GMD@dhs.gov if you have any questions.
4. Has the legal authority to apply for Federal assistance and has the institutional, managerial and financial capability to ensure proper planning, management and completion of the grant provided by the U.S. Department of Homeland Security (DHS)/Federal Emergency Management Agency (FEMA) and sub-granted through the State of California, California Governor's Office of Emergency Services (Cal OES).
5. Will assure that grant funds are used for allowable, fair, and reasonable costs only and will not be transferred between grant programs (for example: State Homeland Security Program and Urban Area Security Initiative) or fiscal years.
6. Will comply with any cost sharing commitments included in the FY2014 Investment Justifications submitted to DHS/FEMA/Cal OES, where applicable.
7. Will establish a proper accounting system in accordance with generally accepted accounting standards and awarding agency directives.

8. Will give the DHS/FEMA, the General Accounting Office, the Comptroller General of the United States, the Cal OES, the Office of Inspector General, through any authorized representatives, access to, and the right to examine, all paper or electronic records, books, and documents related to the award, and will permit access to its facilities, personnel and other individuals and information as may be necessary, as required by DHS/FEMA or Cal OES, through any authorized representative, with regard to examination of grant related records, accounts, documents, information and staff.
9. Agrees, and will require any subrecipient, contractor, successor, transferee, and assignee to acknowledge and agree to comply with applicable provisions governing DHS access to records, accounts, documents, information, facilities, and staff.
 - a. Recipients must cooperate with any compliance review or complaint investigation conducted by DHS or Cal OES.
 - b. Recipients must give DHS and Cal OES access to and the right to examine and copy records, accounts, and other documents and sources of information related to the grant and permit access to facilities, personnel, and other individuals and information as may be necessary, as required by DHS and Cal OES program guidance, requirements, and applicable laws.
 - c. Recipients must comply with all other special reporting, data collection, and evaluation requirements, as prescribed by law or detailed in program guidance, and recipients must submit timely, complete, and accurate reports to the appropriate DHS officials and maintain appropriate backup documentation to support the reports.
 - d. If, during the past three years, the recipient has been accused of discrimination on the grounds of race, color, national origin (including limited English proficiency), sex, age, disability, religion, or familial status, the recipient must provide a list of all such proceedings, pending or completed, including outcome and copies of settlement agreements to the DHS/Cal OES awarding office and the DHS Office of Civil Rights and Civil Liberties.
 - e. In the event any court or administrative agency makes a finding of discrimination on grounds of race, color, national origin (including limited English proficiency), sex, age, disability, religion, or familial status against the recipient, or the recipient settles a case or matter alleging such discrimination, recipients must forward a copy of the complaint and findings to the DHS Component and/or awarding office.

The United States has the right to seek judicial enforcement of these obligations.

10. Will comply with any other special reporting, assessments, national evaluation efforts, or information or data collection requests, including, but not limited to, the provision of any information required for the assessment or evaluation of any activities within this agreement, or detailed in the program guidance.
11. Agrees that funds utilized to establish or enhance State and Local fusion centers must support the development of a statewide fusion process that corresponds with the Global Justice/Homeland Security Advisory Council (HSAC) Fusion Center Guidelines, follow the Federal and State approved privacy policies, and achieve (at a minimum) the baseline level of capability as defined by the Fusion Capability Planning Tool.
12. Understands that a hold is in place on Fusion Center activities and the applicant is prohibited from obligating, expending, or drawing down HSGP – UASI funds in support of their State and/or Major Urban Area Fusion Center. Cal OES will notify the subgrantee in writing when DHS/FEMA has lifted the hold.
13. Will initiate and complete the work within the applicable timeframe (subgrantee performance period), in accordance with grant award terms and requirements, after receipt of approval from Cal OES and will maintain procedures to minimize the amount of time elapsing between the award of funds and the disbursement of funds.

14. Will provide timely, complete and accurate progress reports, and maintain appropriate support documentation to support the reports, and other such information as may be required by the awarding agency, including the Initial Strategy Implementation Plan (ISIP), within 45 (forty-five) days of the award, and update these reports and related documentation via the Grant Reporting Tool (GRT) twice each year.
15. Will provide timely notifications to Cal OES of any developments that have a significant impact on award-supported activities, including changes to key program staff.
16. Agrees to be non-delinquent in the repayment of any Federal debt. Examples of relevant debt, include delinquent payroll and other taxes, audit disallowances, and benefit overpayments. See OMB Circular A-129 and form SF-424B, item number 17 for additional information and guidance.
17. Will comply with the requirements of 31 U.S.C. § 3729, which set forth that no subgrantee, recipient or subrecipient of federal payments, shall submit a false claim for payment, reimbursement, or advance. Administrative remedies may be found in 38 U.S.C. §§ 3801-3812, addressing false claims and statements made.
18. Will comply with all applicable provisions of DHS/FEMA's regulations, including Title 44 of the Code of Federal Regulations, Part 13, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, including the payment of interest earned on advances.
19. Will comply with the Office of Management and Budget (OMB) Circular A-102, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (also known as the "A-102 Common Rule"), which are also located found within DHS regulations at Title 44, Code of Federal Regulations (CFR) Part 13, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments"; will comply with OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, relocated to 2 CFR Part 215.
20. Will comply with the financial and administrative requirements set forth in the current edition of the DHS Financial Management Guide; OMB Circular A-21, Cost Principles for Educational Institutions, relocated to 2 CFR Part 220; OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, relocated to 2 CFR Part 225; OMB Circular A-122, Cost Principles for Non-Profit Organizations, relocated to 2 CFR Part 230; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, as applicable.
21. Will comply with all provisions of the Federal Acquisition Regulations, including but not limited to Title 48 CFR Part 31.2, part 31.2 Contract Cost Principles and Procedures, Contracts with Commercial Organizations.
22. Will comply with provisions of the Hatch Act (5 U.S.C. §§ 1501-1508 and 7324-7328), which limits the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds.
23. Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes, or presents the appearance of, personal or organizational conflict of interest, or personal gain for themselves or others, particularly those with whom they have family, business, or other connections.
24. Understands and agrees that Federal funds will not be used, directly or indirectly, to support the enactment, repeal, modification or adoption of any law, regulation, or policy, at any level of government, without the express prior written approval from DHS/FEMA and Cal OES.
25. Will comply with all applicable lobbying prohibitions and laws, including those found 31 U.S.C. § 1352., and agrees that none of the funds provided under this award may be expended by the recipient to pay any

person to influence, or attempt to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any Federal action concerning the award or renewal of any Federal contract, grant, loan, or cooperative agreement.

26. Agrees that, to the extent contractors or subcontractors are utilized, will use small, minority-owned, women-owned, or disadvantaged businesses, to the extent practicable.
27. Will comply with Title 2 of the Code of Federal Regulations Part 225, Appendix A, paragraph (C)(3)(c), which provides that any cost allocable to a particular Federal award or cost objective under the principles provided for in this authority may not be charged to other Federal awards to overcome fund deficiencies.
28. Will ensure that Federal funds do not replace (supplant) funds that have been budgeted for the same purpose through non-Federal sources. Subgrantees and subrecipients may be required to demonstrate and document that a reduction in non-Federal resources occurred for reasons other than the receipt or expected receipt of Federal funds.
29. Will comply, if applicable, with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. § 4801 et seq.), which prohibits the use of lead based paint in construction or rehabilitation of structures.
30. Will comply with all federal and state laws and regulations relating to civil rights protections and nondiscrimination. These include, but are not limited to:
 - a. Title VI of the Civil Rights Act of 1964, Public Law 88-352, (42 U.S.C. § 2000d et seq.), codified at 6 CFR Part 21 and 44 CFR Part 7, which provides that no person in the United States will, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.
 - b. Title IX of the Education Amendments of 1972, as amended (20 U.S.C. § 1681 et seq.), which prohibits discrimination on the basis of gender in educational programs and activities. These regulations are codified at 6 CFR Part 17 and 44 CFR Part 19.
 - c. The Americans with Disabilities Act, as amended, which prohibits recipients from discriminating on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 U.S.C. § 12101 et seq.).
 - d. The Age Discrimination Act of 1975, as amended (42 U.S.C. §§ 6101 et seq.), which prohibits discrimination on the basis of age in any program or activity receiving federal financial assistance.
 - e. The Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse.
 - f. The Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism.
 - g. Sections 523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. § 290 dd-3 and 290 ee-3), as amended, relating to confidentiality of alcohol and drug abuse patient records.
 - h. Title VIII of the Civil Rights Act of 1968 (42 U.S.C. § 3601 et seq., as implemented by 24 CFR Part 100), as amended, relating to nondiscrimination in the sale, rental and financing of housing.
 - i. Title 44 of the Code of Federal Regulations (CFR) Parts 7, 16, and 19 relating to nondiscrimination.
 - j. The requirements of any other nondiscrimination provisions in the specific statute(s) under which the application for Federal assistance is being made and any other applicable statutes.
 - k. The requirements of Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. § 794, as amended, which provides that no otherwise qualified individual with a disability in the United States will, solely by reason of the disability, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance. These requirements pertain to the provision of benefits or services as well as to employment.
 - l. Will, in the event that a Federal or State court or Federal or State administrative agency makes a finding of discrimination after a due process hearing on the grounds or race, color, religion, national

origin, gender, or disability against a recipient of funds, the recipient will forward a copy of the finding to the Office of Civil Rights, Office of Justice Programs.

- m. Will provide an Equal Employment Opportunity Plan, if applicable, to the Department of Justice Office of Civil Rights within 60 days of grant award.
 - n. Will comply, and assure the compliance of all its subgrantees and contractors, with the nondiscrimination requirements and all other provisions of the current edition of the Office of Justice Programs Financial and Administrative Guide for Grants, M7100.1.
31. Will comply with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. § 4601 et seq. [P.L. 91-646]), which provides for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal or Federally assisted programs. These requirements apply to all interested in real property acquired for project purposes regardless of Federal participation in purchases. Will also comply with Title 44 CFR, Part 25, Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally-assisted programs.
32. Will comply with all provisions of DHS/FEMA's regulation 44 CFR Part 10, Environmental Considerations.
33. Will comply with all applicable Federal, State, and Local environmental and historical preservation (EHP) requirements. Failure to meet Federal, State, and Local EHP requirements and obtain applicable permits may jeopardize Federal funding. Agrees not to undertake any project having the potential to impact EHP resources without the prior written approval of DHS/FEMA and Cal OES, including, but not limited to, ground disturbance, construction, modification to any structure, physical security enhancements, communications towers, any structure over 50 years old, and purchase and/or use of any sonar equipment. The subgrantee must comply with all conditions and restrictions placed on the project as a result of the EHP review. Any construction-related activities initiated without the necessary EHP review and approval will result in a noncompliance finding, and may not be eligible for reimbursement with DHS/FEMA and Cal OES funding. Any change to the scope of work will require re-evaluation of compliance with the EHP. If ground-disturbing activities occur during the project implementation, the subgrantee must ensure monitoring of the disturbance. If any potential archeological resources are discovered, the subgrantee will immediately cease activity in that area and notify DHS/FEMA/ and Cal OES and the appropriate State Historic Preservation Office.
34. Any construction activities that have been initiated prior to the full environmental and historic preservation review could result in a non-compliance finding. Subgrantees must complete the DHS/FEMA EHP Screening Form (OMB Number 1660-0115/FEMA Form 024-0-01) and submit it, with all supporting documentation, to their Cal OES program representative, for processing by the DHS/FEMA GPD EHP.
35. Grantees should submit the FEMA EHP Screening Form for each project as soon as possible upon receiving their grant award. The Screening Form for these types of projects is available at: www.fema.gov/doc/government/grant/bulletins/info329_final_screening_memo.doc.
36. Will ensure that the facilities under its ownership, lease or supervision, which shall be utilized in the accomplishment of this project, are not on the Environmental Protection Agency's (EPAs) List of Violating Facilities, and will notify Cal OES and the DHS/FEMA of the receipt of any communication from the Director of the EPA Office of Federal Activities indicating if a facility to be used in the project is under consideration for listing by the EPA.
37. Will provide any information requested by DHS/FEMA/ and Cal OES to ensure compliance with applicable laws including, but not limited to, the following:
- a. Institution of environmental quality control measures under the Archaeological and Historic Preservation Act, Endangered Species Act, and Executive Orders on Floodplains (11988), and Environmental Justice (EO12898) and Environmental Quality (EO11514).

- b. Notification of violating facilities pursuant to EO 11738.
 - c. Assurance of project consistency with the approved state management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. § 1451 et seq.).
 - d. Protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended, (P.L. 93-523).
 - e. California Environmental Quality Act (CEQA), California Public Resources Code Sections 21080-21098, and California Code of Regulations, Title 14, Chapter 3 §§ 15000-15007.
 - f. Wild and Scenic Rivers Act of 1968 (16 U.S.C. § 1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system.
 - g. Applicable provisions of the Coastal Barrier Resources Act (P.L. 97-348) dated October 19, 1982 (16 USC § 3501 et seq.), which prohibits the expenditure of most new Federal funds within the units of the Coastal Barrier Resources System.
38. Will comply with Standardized Emergency Management System (SEMS) requirements as stated in the California Emergency Services Act, Government Code, Chapter 7 of Division 1 of Title 2, § 8607.1(e) and CCR Title 19, §§ 2445, 2446, 2447, and 2448.
39. Agrees that subgrantees and subrecipients collecting Personally Identifiable Information (PII) must have a publically-available privacy policy that describes what PII they collect, how they plan to use the PII, whether they share PII with third parties, and how individuals may have their PII corrected where appropriate. Subgrantees and subrecipients may also find DHS Privacy Impact Assessments, guidance and templates online at http://www.dhs.gov/xlibrary/assets/privacy/privacy_pia_guidance_june2010.pdf and at http://www.dhs.gov/xlibrary/assets/privacy/privacy_pia_template.pdf, respectively.
40. Agrees that all DHS/FEMA-funded project activities carried on outside the United States are coordinated as necessary with appropriate government authorities and that appropriate licenses, permits, and approvals are obtained.
41. Will comply with Section 6 of the Hotel and Motel Fire Safety Act of 1990, 15 U.S.C. § 2225(a), whereby all subgrantees, recipients, and subrecipients must ensure that all conference, meeting, convention, or training space, funded in whole or in part with Federal funds, complies with the fire prevention and control guidelines of the Federal Fire Prevention and Control Act of 1974, 15 U.S.C. § 2225.
42. Will comply with the Preference for U.S. Flag Air Carriers: (air carriers holding certificates under 49 U.S.C. § 41102) for international air transportation of people and property to the extent that such service is available, in accordance with the International Air Transportation Fair Competitive Practices Act of 1974 (49 U.S.C. § 40118) and the interpretative guidelines issued by the Comptroller General of the United States in the March 31, 1981 amendment to Comptroller General Decision B138942.
43. Agrees that all publications created or published with funding under this grant shall prominently contain the following statement: *"This document was prepared under a grant from FEMA's Grant Programs Directorate, U.S. Department of Homeland Security. Points of view or opinions expressed in this document are those of the authors and do not necessarily represent the official position or policies of FEMA's Grant Programs Directorate or the U.S. Department of Homeland Security."* The recipient also agrees that, when practicable, any equipment purchased with grant funding shall be prominently marked as follows: *"Purchased with funds provided by the U.S. Department of Homeland Security."*
44. Acknowledges that DHS/FEMA reserves a royalty-free, nonexclusive, and irrevocable license to reproduce, publish, or otherwise use, and authorize others to use, for Federal government purposes: a) the copyright in any work developed under an award or sub-award; and b) any rights of copyright to which a recipient or sub-recipient purchases ownership with Federal support. The recipient must affix the applicable copyright notices of 17 U.S.C. section 401 or 402 and an acknowledgement of Government sponsorship (including award number) to any work first produced under Federal financial assistance awards, unless the work

includes any information that is otherwise controlled by the Government (e.g. classified information or other information subject to national security or export control laws or regulations). The recipient agrees to consult with DHS/FEMA and Cal OES regarding the allocation of any patent rights that arise from, or are purchased with, this funding.

45. Recipients receiving Federal financial assistance to be used to perform eligible work approved in the submitted application for Federal assistance and after the receipt of Federal financial assistance, through the State of California, agrees to the following:
 - a. Promptly return to the State of California all funds received which exceed the approved, actual expenditures as determined by the Federal or State government.
 - b. In the event the approved amount of the grant is reduced, the reimbursement applicable to the amount of the reduction will be promptly refunded to the State of California.
 - c. Property and equipment purchased under the HSGP reverts to Cal OES if the grant funds are deobligated or disallowed and not promptly repaid.
 - d. HSGP funds used for the improvement of real property must be promptly repaid following deobligation or disallowment of costs, and Cal OES reserves the right to place a lien on the property for the amount owed.
 - e. Separately account for interest earned on grant funds, and will return all interest earned, in excess of \$100 per Federal Fiscal Year.
46. Understands that recipients who receive awards made under programs that provide emergency communication equipment and its related activities must comply with the SAFECOM Guidance for Emergency Communication Grants, including provisions on technical standards that ensure and enhance interoperable communications.
47. Will comply, if applicable, with the Laboratory Animal Welfare Act of 1966 (P. L. 89-544, as amended, 7 U.S.C. § 2131 et seq.) pertaining to the care, handling, and treatment of warm blooded animals held for research, teaching, or other activities supported by this award of assistance.
48. Will comply with the minimum wage and maximum hour provisions of the Federal Fair Labor Standards Act (29 U.S.C. § 201), as they apply to employees of institutions of higher education, hospitals, and other non-profit organizations.
49. Agrees that "Classified national security information," as defined in Executive Order (EO) 12958, as amended or updated via later executive order(s), means information that has been determined pursuant to EO 12958 to require protection against unauthorized disclosure and is marked to indicate its classified status when in documentary form. No funding under this award shall be used to support a contract, subaward, or other agreement for goods or services that will include access to classified national security information if the award recipient has not been approved for and granted access to such information by appropriate authorities.
50. Agrees that where an award recipient has been approved for and has access to classified national security information, no funding under this award shall be used to support a contract, subaward, or other agreement for goods or services that will include access to classified national security information by the contractor, subrecipient, or other entity without prior written approval from the DHS Office of Security, Industrial Security Program Branch (ISPB), or, an appropriate official within the Federal department or agency with whom the classified effort will be performed. Such contracts, subawards, or other agreements shall be processed and administered in accordance with the DHS "Standard Operating Procedures, Classified Contracting by States and Local Entities," dated July 7, 2008; EOs 12829, 12958, 12968, and other applicable executive orders; the National Industrial Security Program Operating Manual (NISPOM); and other applicable implementing directives or instructions. Security requirement documents may be located at: <http://www.dhs.gov/xopnbiz/grants/index.shtm>

51. Immediately upon determination by the award recipient that funding under this award may be used to support a contract, subaward, or other agreement involving access to classified national security information pursuant to paragraph 47, and prior to execution of any actions to facilitate the acquisition of such a contract, subaward, or other agreement, the award recipient shall contact ISPB, and the applicable Federal department or agency, for approval and processing instructions.

DHS Office of Security ISPB contact information:
Telephone: 202-447-5346
Email: DD254AdministrativeSecurity@dhs.gov
Mail: Department of Homeland Security
Office of the Chief Security Officer
ATTN: ASD/Industrial Security Program Branch
Washington, D.C. 20528

52. Will comply with the requirements regarding Data Universal Numbering System (DUNS) numbers. If recipients are authorized to make subawards under this award, they must first notify potential subrecipients that no entity may receive or make a subaward to any entity unless the entity has provided a DUNS number.

For purposes of this award term, the following definitions will apply:

- a. "Data Universal Numbering System (DUNS)" number means the nine digit number established and assigned by Dun and Bradstreet, Inc. (D&B) to uniquely identify business entities. A DUNS number may be obtained from D&B by telephone (currently 866-705-5711) or the Internet, currently at <http://fedgov.dnb.com/webform>.
 - b. "Entity", as it is used in this award term, means all of the following, as defined at 2 CFR part 25, subpart C, as a Governmental organization, which is a State, local government, or Indian Tribe; or a foreign public entity; or a domestic or foreign nonprofit organization; or a domestic or foreign for-profit organization; or a Federal agency, but only as a sub recipient under an award or subaward to a non-Federal entity.
 - c. "Subaward" means a legal instrument to provide support for the performance of any portion of the substantive project or program for which you received this award and that you as the recipient award to an eligible subrecipient. It does not include your procurement of property and services needed to carry out the project or program (for further explanation, see section 210 of the attachment to OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations") and may be provided through any legal agreement, including an agreement that you consider a contract.
 - d. "Subrecipient" means an entity that receives a subaward from you under this award, and is accountable to you for the use of the Federal funds provided by the subaward.
53. Will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U.S.C. § 276a to 276a-7), the Copeland Act (40 U.S.C. § 276c and 18 U.S.C. § 874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. §§ 327-333), regarding labor standards for Federally-assisted construction sub-agreements.
54. Agrees that equipment acquired or obtained with grant funds:
- a. Will be made available pursuant to applicable terms of the California Disaster and Civil Defense Master Mutual Aid Agreement, in consultation with representatives of the various fire, emergency medical, hazardous materials response services, and law enforcement agencies within the jurisdiction of the applicant, and deployed with personnel trained in the use of such equipment in a manner consistent with the California Law Enforcement Mutual Aid Plan or the California Fire Services and Rescue Mutual Aid Plan.
 - b. Is consistent with needs as identified in the State Homeland Security Strategy and will be deployed in conformance with that Strategy.

55. Will comply with Homeland Security Presidential Directive (HSPD)-5, Management of Domestic Incidents. The adoption of the National Incident Management System (NIMS) is a requirement to receive Federal preparedness assistance, through grants, contracts, and other activities. The NIMS provides a consistent

nationwide template to enable all levels of government, tribal nations, nongovernmental organizations, and private sector partners to work together to prevent, protect against, respond to, recover from, and mitigate the effects of incidents, regardless of cause, size, location, or complexity.

56. Will comply with OMB Standard Form 424B Assurances – Non construction Programs, whereby the awarding agency may require subgrantees and subrecipients to certify to additional assurances.
57. Will not make any award or permit any award (subgrant or contract) to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549 and 12689, “Debarment and Suspension.” As required by Executive Order 12549, Debarment and Suspension, and implemented at 44 CFR Part 17, for prospective participants in primary covered transactions, the applicant will provide protection against waste, fraud and abuse, by debarring or suspending those persons deemed irresponsible in their dealings with the Federal government. Applicant certifies that it and its principals:
 - a. Are not presently debarred, suspended, proposed for debarment, declared ineligible, sentenced to a denial of Federal benefits by a State or Federal court, or voluntarily excluded from covered transactions by any Federal department or agency.
 - b. Have not within a three-year period preceding this application been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction, violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property.
 - c. Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State, or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and have not within a three-year period preceding this application had one or more public transactions (Federal, State, or local) terminated for cause or default; and
 - d. Where the applicant is unable to certify to any of the statements in this certification, he or she shall attach an explanation to this application.
58. Will comply with requirements to acknowledge Federal funding when issuing statements, press releases, requests for proposals, bid invitations, and other documents describing projects or programs funded in whole or in part with Federal funds.
59. Will obtain, via Cal OES, the prior approval from DHS on any use of the DHS seal(s), logos, crests or reproductions of flags or likenesses of DHS agency officials, including use of the United States Coast Guard seal, logo, crests or reproductions of flags or likenesses of Coast Guard officials.
60. Will comply with the requirements of the Drug-Free Workplace Act of 1988 (41 U.S.C. § 701 et seq.), which requires that all organizations receiving grants from any Federal agency agree to maintain a drug-free workplace. The recipient must notify the awarding office if an employee of the recipient is convicted of violating a criminal drug statute. Failure to comply with these requirements may be cause for debarment. These regulations are codified at 2 CFR 3001.
61. Will comply with the requirements of the government-wide award term which implements Section 106(g) of the Trafficking Victims Protection Act (TVPA) of 2000, as amended (22 U.S.C. § 7104), located at 2 CFR Part 175. This is implemented in accordance with OMB Interim Final Guidance, Federal Register, Volume 72, No. 218, November 13, 2007. In accordance with Section 106(g) of the TVPA, as amended, requires the agency to include a condition that authorizes the agency to terminate the award, without penalty, if the recipient or a subrecipient engages in severe forms of trafficking in persons during the period of time that the award is in effect, procures a commercial sex act during the period of time that the award is

in effect, or uses forced labor in the performance of the award or subawards under the award. Full text of the award term is provided at 2 CFR § 175.15.

62. Will comply with Title VI of the Civil Rights Act of 1964 prohibition against discrimination on the basis of national origin, which requires that recipients of federal financial assistance take reasonable steps to provide meaningful access to their programs and services. Meaningful access may entail providing language assistance services, including oral and written translation, where necessary. Recipients are encouraged to consider the need for language services for LEP persons served or encountered both in developing budgets and in conducting programs and activities. Recipient shall comply with DHS Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons, 76 Fed. Reg. 21755-21768 (April 18, 2011), resulting from Executive Order 13166. For assistance and information regarding LEP obligations, refer to DHS Recipient Guidance at <https://www.dhs.gov/guidance-published-help-department-supported-organizations-provide-meaningful-access-people-limited> and additional resources on <http://www.lep.gov>.
63. Will comply with the requirements of 42 U.S.C. § 7401 et seq. and Executive Order 11738, which provides for the protection and enhancement of the quality of the nation's air resources to promote public health and welfare and for restoring and maintaining the chemical, physical, and biological integrity of the nation's waters is considered research for other purposes.
64. Will comply with the requirements of the Federal regulations at 45 CFR Part 46 and the requirements in DHS Management Directive 026-04, Protection of Human Subjects, prior to implementing any work with human subjects. The regulations specify additional protections for research involving human fetuses, pregnant women, and neonates (Subpart B); prisoners (Subpart C); and children (Subpart D). The use of autopsy materials is governed by applicable State and local law and is not directly regulated by 45 CFR Part 46.
65. Will comply with the requirements of the National Environmental Policy Act (NEPA), as amended, 42 U.S.C. § 4331 et seq., which establishes national policy goals and procedures to protect and enhance the environment, including protection against natural disasters. To comply with NEPA for its grant-supported activities, DHS requires the environmental aspects of construction grants (and certain non-construction projects as specified by the Component and awarding office) to be reviewed and evaluated before final action on the application.
66. Will comply with the requirements of section 1306(c) of the National Flood Insurance Act, as amended, which provides for benefit payments under the Standard Flood Insurance Policy for demolition or relocation of a structure insured under the Act that is located along the shore of a lake or other body of water and that is certified by an appropriate State or local land use authority to be subject to imminent collapse or subsidence as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels. These regulations are codified at 44 CFR Part 63.
67. Will comply with the requirements of the Flood Disaster Protection Act of 1973, as amended (42 U.S.C. § 4001 et seq.), which provides that no Federal financial assistance to acquire, modernize, or construct property may be provided in identified flood-prone communities in the United States, unless the community participates in the National Flood Insurance Program and flood insurance is purchased within one year of the identification. The flood insurance purchase requirement applies to both public and private applicants for DHS support. Lists of flood-prone areas that are eligible for flood insurance are published in the Federal Register by FEMA.
68. Will comply with the requirements of Executive Order 11990, which provides that federally-funded construction and improvements minimize the destruction, loss, or degradation of wetlands. The Executive Order provides that, in furtherance of section 101(b)(3) of NEPA (42 U.S.C. § 4331(b)(3)), Federal agencies, to the extent permitted by law, must avoid undertaking or assisting with new construction located in wetlands unless the head of the agency finds that there is no practicable alternative to such construction,

and that the proposed action includes all practicable measures to minimize harm to wetlands that may result from such use. In making this finding, the head of the agency may take into account economic, environmental, and other pertinent factors. The public disclosure requirement described above also pertains to early public review of any plans or proposals for new construction in wetlands. This is codified at 44 CFR Part 9.

69. Will comply with the requirements of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act), which amends 18 U.S.C. §§ 175-175c. Among other things, it prescribes criminal penalties for possession of any biological agent, toxin, or delivery system of a type or in a quantity that is not reasonably justified by a prophylactic, protective, bona fide research, or other peaceful purpose. The act also establishes restrictions on access to specified materials. "Restricted persons," as defined by the act, may not possess, ship, transport, or receive any biological agent or toxin that is listed as a select agent.
70. Understands the reporting of subawards and executive compensation rules, including first tier subawards to Cal OES.
- a. **Applicability.** Unless you are exempt as provided in paragraph d. of this award term, you must report each action that obligates \$25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009,
 - b. **Where and when to report:** you must report on each obligating action described in the following paragraphs to Cal OES. For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2013, the obligation must be reported by no later than December 31, 2013.)
 - c. **What to report:** You must report the information about each obligating action that the submission instructions posted in Information Bulletin 350, to Cal OES. To determine if the public has access to the compensation information, see the U.S. Security and Exchange Commission total compensation filings at <http://www.sec.gov/answers/execomp.htm>. Subgrantees must report subrecipient executive total compensation to Cal OES by the end of the month following the month during which you make the subaward. Exemptions include: If, in the previous tax year, you had gross income, from all sources, under \$300,000, you are exempt from the requirements to report on subawards, and the total compensation of the five most highly compensated executives of any subrecipient.
 - d. **Reporting Total Compensation of Recipient Executives:** You must report total compensation for each of your five most highly compensated executives for the preceding completed fiscal year, if
 - i. the total Federal funding authorized to date under this award is \$25,000 or more;
 - ii. in the preceding fiscal year, you received 80 percent or more of your annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR § 170.320 (and subawards); and \$25,000,000 or more in annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR § 170.320 (and subawards); and
 - iii. The public does not have access to information about the compensation of the executives through periodic reports filed under Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m(a), 78o(d)) or § 6104 of the Internal Revenue Code of 1986. (To determine if the public has access to the compensation information, see the U.S. Security and Exchange Commission total compensation filings at <http://www.sec.gov/answers/execomp.htm>.)
 - iv. **Subrecipient Executives.** Unless you are exempt as provided above, for each first-tier subrecipient under this award, you shall report the names and total compensation of each of the subrecipient's five most highly compensated executives for the subrecipient's preceding completed fiscal year, if in the subrecipient's preceding fiscal year, the subrecipient received 80 percent or more of its annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR § 170.320 (and subawards); and \$25,000,000 or more in annual gross revenues from Federal procurement contracts (and subcontracts), and Federal

financial assistance subject to the Transparency Act (and subawards); and the public does not have access to information about the compensation of the executives through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m(a), 78o(d)) or § 6104 of the Internal Revenue Code of 1986.

71. Understands that failure to comply with any of these assurances may result in suspension, termination, or reduction of grant funds.
72. The undersigned represents that he/she is authorized by the above named applicant to enter into this agreement for and on behalf of the said applicant.

Signature of Authorized Agent: _____

Printed Name of Authorized Agent: Jeff Bowman

Title: Fire Chief Date: 03/26/15



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
March 11, 2015

Agenda Item No. 3C
Consent Calendar

Financial Audit Services Contract Renewal

Contact(s) for Further Information

Lori Zeller, Assistant Chief Business Services Department	lorizeller@ocfa.org	714.573.6020
Jim Ruane, Finance Manager	jimruane@ocfa.org	714.573.6304

Summary

This agenda item is submitted to request approval to renew OCFA's financial audit contract with the firm Lance, Soll & Lunghard, LLP (LSL). Based on the results of a Request for Proposals in 2011, LSL was awarded an initial three year contract in March of 2012 for an annual amount of \$91,329 with annual increases not to exceed 2%.

Prior Board/Committee Action

Not Applicable.

Recommended Action(s)

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of March 19, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee approve and authorize the Purchasing Manager to renew the Blanket Order with Lance, Soll & Lunghard, LLP for two additional years in the aggregate amount of \$141,844. The reduced annual amount is a result of a change in the scope of work referenced in the background of this staff report.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Funding is included in the FY 2014/15 and 2015/16 budget.

Background

Pursuant to California Government Code Section 6505, the Orange County Fire Authority's (OCFA) Amended Joint Powers Agreement requires that the records and accounts of the OCFA must be audited annually by an independent certified public accountant. In December 2011, OCFA issued a Request for Proposal (RFP) seeking separate bids for financial audit services. The RFP was emailed to 43 public accounting firms, and was also posted on OCFA's vendor registration system *Planet Bids*, where 34 vendors were notified. A total of ten responses were received and evaluated. After a comprehensive review of the proposals, the contract was awarded to LSL for a period of three years with two optional one-year extensions.

The original scope of work for the financial audit services contract included the annual audit of the OCFA's financial statements, as well as the annual "single audit" of federal grant awards. In addition, this contract provides for additional hourly audit, review, agreed-upon procedures or other services requiring an audit/attest opinion, on an as-needed basis.

Projects that have been completed annually under this contract have included, but are not limited to:

- Agreed-Upon Procedures on compliance with the Health Plan Agreement between the OCFA and the Orange County Professional Firefighters Association ("Firefighter Medical Trust"); and
- Agreed-Upon Procedures on compliance with operating area contracts between the OCFA and its 911 emergency ambulance service providers; and
- Agreed-Upon Procedures to evaluate the OCFA's calculation of the marginal costs of providing Advanced Life Support and Basic Life Support services to ambulance providers.

Upon completion of the 911 emergency ambulances RFP, OCFA will no longer be responsible for the administration of the 911 ambulance contracts. The proposed renewal, at a cost of \$70,220 per year for two years, reflects the reduction in costs associated with performing the ambulance contract compliance review.

In March 2012, LSL was also awarded a contract to perform various internal control reviews of OCFA processes. The contract was awarded for three years without any optional extensions. Staff will return to the Committee in May with a staff report discussing options and recommendations for future internal control reviews.

Attachment(s)

None.



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
March 11, 2015

Agenda Item No. 4A
Discussion Calendar

Monthly Investment Reports

Contact(s) for Further Information

Patricia Jakubiak, Treasurer Treasury & Financial Planning	Triciajakubiak@ocfa.org	714.573.6301
Jane Wong, Assistant Treasurer	Janewong@ocfa.org	714.573.6305

Summary

This agenda item is a routine transmittal of the monthly investment reports submitted to the Committee in compliance with the investment policy of the Orange County Fire Authority and with Government Code Section 53646.

Prior Board/Committee Action

Not Applicable.

Recommended Action(s)

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of March 19, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

Attached is the final monthly investment report for the month ended January 31, 2015. A preliminary investment report as of February 20, 2015 is also provided as the most complete report that was available at the time this agenda item was prepared

Attachment(s)

Final Investment Report – January 2015/Preliminary Report – February 2015

Orange County Fire Authority Monthly Investment Report



Final Report – January 2015

Preliminary Report – February 2015



Monthly Investment Report Table of Contents

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Orange County Fire Authority

Final Investment Report

January 31, 2015



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of January 2015, the size of the portfolio dropped significantly to \$170.3 million from \$217.0 million. Significant receipts for the month included various apportionments of property taxes and pass-through taxes, a cash contract payment, and intergovernmental contract and grant payments totaling \$16.0 million. Significant disbursements included three biweekly payrolls (instead of the typical two per month), which were approximately \$9.4 million each with related benefits. Significant disbursements also included two payments to OCERS in the amounts of \$29.5 million and \$3.0 million for the prepayment of half of the retirement cost for fiscal year 2015/16 and the January Board approved UAAL (Unfunded Actuarial Accrued Liability) pay-down, respectively. Total January cash outflows amounted to approximately \$64.1 million. The portfolio's balance is expected to decrease further in the following month as there are no major receipts scheduled for February.

In January, the portfolio's yield to maturity (365-day equivalent) rose by 5 basis points to 0.27%. The effective rate of return increased by 2 basis points to 0.24% for the month, but edged down by 1 basis point to 0.25% for the fiscal year to date. The average maturity of the portfolio lengthened by 13 days to 148 days to maturity. Due to the overall higher cash balances for both actual and projected activity for the fiscal year, an increase in portfolio interest earnings is being submitted for a mid-year budget adjustment.

Economic News

The U.S. economy strengthened in January 2015, although overall economic activity remained mixed. Employment conditions improved further in January. There were a total of 257,000 new jobs created for the month, exceeding expectations. In addition, an increase of 147,000 jobs was adjusted for the previous two months. The unemployment rate increased from 5.6% to 5.7%. Consumer confidence measures continued to rise, and the LEI (Leading Economic Index) also increased slightly. Industrial production reversed and increased slightly. While manufacturing activity declined more than forecasted, non-manufacturing activity picked up. However, retail sales continued its weak and disappointing pace from December declining further in January. Energy prices continued to fall causing producer prices to plunge in January. On January 28, 2015, at the second day of the Federal Open Market Committee's meeting, the Committee voted to keep the federal funds rate unchanged at a target range of 0-0.25%. The Committee also upgraded its outlook on the economy. With this, current expectations remain for the first rate increase to take place in June.



BENCHMARK COMPARISON AS OF JANUARY 31, 2015

<i>3 Month T-Bill:</i> 0.03%	<i>1 Year T-Bill:</i> 0.20%
<i>6 Month T-Bill:</i> 0.08%	<i>LAIF:</i> 0.26%
<i>OCFA Portfolio:</i> 0.24%	

PORTFOLIO SIZE, YIELD, & DURATION

	<u><i>Current Month</i></u>	<u><i>Prior Month</i></u>	<u><i>Prior Year</i></u>
<i>Book Value-</i>	\$170,300,354	\$217,030,366	\$135,503,250
<i>Yield to Maturity (365 day)</i>	0.27%	0.22%	0.29%
<i>Effective Rate of Return</i>	0.24%	0.22%	0.27%
<i>Days to Maturity</i>	148	135	223



**ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
January 31, 2015**

Orange County Fire Authority
1 Fire Authority Road
Irvine, Irvine, CA 92602
(714)573-6301

(See Note 1 on page 9)

(See Note 2 on page 9)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	17,857,047.48	17,857,047.48	17,857,047.48	10.46	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	6,000,000.00	5,999,340.00	5,999,333.33	3.51	150	25	0.160	0.162
Federal Agency Coupon Securities	34,888,888.78	34,896,057.67	34,900,394.44	20.44	1,294	587	0.714	0.724
Federal Agency Disc. -Amortizing	62,000,000.00	61,993,460.00	61,985,436.67	36.30	128	73	0.102	0.104
Local Agency Investment Funds	50,000,000.00	49,999,019.00	50,000,000.00	29.28	1	1	0.258	0.262
Investments	170,745,936.26	170,744,924.15	170,742,211.92	100.00%	317	148	0.264	0.268
Cash								
Passbook/Checking (not included in yield calculations)	(See Note 4 on page 9) -347,691.13	-347,691.13	-347,691.13		0	0	0.000	0.000
Total Cash and Investments	170,398,245.13	170,397,233.02	170,394,520.79		317	148	0.264	0.268

Total Earnings	January 31 Month Ending	Fiscal Year To Date
Current Year	40,483.21	242,724.22
Average Daily Balance	194,819,860.48	161,933,264.02
Effective Rate of Return	0.24%	0.25%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2015. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

Patricia Jakubiak 2/6/15
Patricia Jakubiak, Treasurer

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 170,394,520.79
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ (94,166.47)
Total	\$ 170,300,354.32

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
January 31, 2015

(See Note 1 on page 9)

(See Note 2 on page 9)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	High Mark 100% US Treasury MMF		(See Note 4 on page 9)	17,857,047.48	17,857,047.48	17,857,047.48	0.001	0.001	1	
Subtotal and Average			19,603,988.20		17,857,047.48	17,857,047.48	17,857,047.48		0.001	1	
Commercial Paper Disc. -Amortizing											
36959JPS6	835	GEN ELEC CAP CRP		09/29/2014	6,000,000.00	5,999,340.00	5,999,333.33	0.160	0.162	25	02/26/2015
Subtotal and Average			5,998,933.33		6,000,000.00	5,999,340.00	5,999,333.33		0.162	25	
Federal Agency Coupon Securities											
3133ECM76	809	Federal Farm Credit Bank (Callable anytime)		04/25/2013	9,000,000.00	8,998,650.00	8,997,420.33	0.400	0.424	446	04/22/2016
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	6,000,240.00	6,000,000.00	1.000	0.981	920	08/09/2017
3133813R4	800	Fed Home Loan Bank (Callable 2-9-15)		12/20/2012	9,000,000.00	8,986,770.00	9,008,170.10	1.000	0.966	1,012	11/09/2017
313382DC4	803	Fed Home Loan Bank (Callable anytime)		03/15/2013	888,888.78	888,897.67	888,823.11	0.470	0.477	400	03/07/2016
3130A3RM8	850	Fed Home Loan Bank (Callable 6-30-15)		12/30/2014	10,000,000.00	10,021,500.00	10,005,980.90	0.770	0.645	149	12/30/2016
Subtotal and Average			34,900,546.99		34,888,888.78	34,896,057.67	34,900,394.44		0.724	587	
Federal Agency Disc. -Amortizing											
313312FH8	846	Farm Credit Disc Note		12/18/2014	9,000,000.00	8,998,650.00	8,996,640.00	0.140	0.144	96	05/08/2015
313396CZ4	837	Freddie Mac		10/27/2014	8,000,000.00	7,999,760.00	7,999,466.67	0.060	0.062	40	03/13/2015
313396ED1	847	Freddie Mac		12/18/2014	9,000,000.00	8,999,280.00	8,998,215.00	0.105	0.108	68	04/10/2015
313396FX6	848	Freddie Mac		12/18/2014	9,000,000.00	8,998,380.00	8,996,425.00	0.130	0.134	110	05/22/2015
313396GM9	849	Freddie Mac		12/18/2014	9,000,000.00	8,997,840.00	8,995,815.00	0.135	0.139	124	06/05/2015
313384BV0	839	Fed Home Loan Bank		12/04/2014	9,000,000.00	8,999,910.00	8,999,820.00	0.060	0.062	12	02/13/2015
313384DP1	840	Fed Home Loan Bank		12/04/2014	9,000,000.00	8,999,640.00	8,999,055.00	0.070	0.072	54	03/27/2015
Subtotal and Average			84,310,190.49		62,000,000.00	61,993,460.00	61,985,436.67		0.104	73	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			50,000,000.00	49,999,019.00	50,000,000.00	0.262	0.262	1	
Subtotal and Average			50,006,201.46		50,000,000.00	49,999,019.00	50,000,000.00		0.262	1	
Total and Average			194,819,860.48		170,745,936.26	170,744,924.15	170,742,211.92		0.268	148	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
January 31, 2015

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10104	10104	American Benefit Plan Admin		07/01/2014	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2014	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2014	-632,691.13	-632,691.13	-632,691.13	(See Note 4 on page 9)	0.000	1
SYS361	361	CORVEL		07/01/2014	250,000.00	250,000.00	250,000.00		0.000	1
		Average Balance	0.00							0
Total Cash and Investments			194,819,860.48		170,398,245.13	170,397,233.02	170,394,520.79		0.268	148

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of February 1, 2015

Orange County Fire Authority
 1 Fire Authority Road
 Irvine, Irvine, CA 92602
 (714)573-6301

Page 8

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value	
Aging Interval:	0 days	(02/01/2015 - 02/01/2015)	6 Maturities	0 Payments	67,509,356.35	39.62%	67,509,356.35	67,508,375.35
Aging Interval:	1 - 30 days	(02/02/2015 - 03/03/2015)	2 Maturities	0 Payments	15,000,000.00	8.80%	14,999,153.33	14,999,250.00
Aging Interval:	31 - 60 days	(03/04/2015 - 04/02/2015)	2 Maturities	0 Payments	17,000,000.00	9.98%	16,998,521.67	16,999,400.00
Aging Interval:	61 - 91 days	(04/03/2015 - 05/03/2015)	1 Maturities	0 Payments	9,000,000.00	5.28%	8,998,215.00	8,999,280.00
Aging Interval:	92 - 121 days	(05/04/2015 - 06/02/2015)	2 Maturities	0 Payments	18,000,000.00	10.56%	17,993,065.00	17,997,030.00
Aging Interval:	122 - 152 days	(06/03/2015 - 07/03/2015)	1 Maturities	0 Payments	9,000,000.00	5.28%	8,995,815.00	8,997,840.00
Aging Interval:	153 - 183 days	(07/04/2015 - 08/03/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	(08/04/2015 - 11/02/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	(11/03/2015 - 02/01/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	(02/02/2016 - 01/31/2018)	5 Maturities	0 Payments	34,888,888.78	20.48%	34,900,394.44	34,896,057.67
Aging Interval:	1096 days and after	(02/01/2018 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			19 Investments	0 Payments			170,394,520.79	170,397,233.02



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank (formerly Union Bank) Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2014 includes an increase of \$14,938 to the LAIF investment and a decrease of \$(109,104) to the remaining investments.
- Note 4: The Highmark money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.



Local Agency Investment Fund (LAIF)

As of January 31, 2015, OCFA has \$50,000,000 invested in LAIF. The fair value of OCFA's LAIF investment is calculated using a participant fair value factor provided by LAIF on a quarterly basis. The fair value factor as of December 31, 2014 is 0.99998038. When applied to OCFA's LAIF investment, the fair value is \$49,999,019 or \$981 below cost. Although the fair value of the LAIF investment is lower than cost, OCFA can withdraw the actual amount invested at any time.

LAIF is included in the State Treasurer's Pooled Money Investment Account (PMIA) for investment purposes. The PMIA market valuation at January 31, 2015 is included on the following page.



Orange County Fire Authority
Preliminary Investment Report
February 20, 2015



**ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
February 20, 2015**

Orange County Fire Authority
1 Fire Authority Road
Irvine, Irvine, CA 92602
(714)573-6301

(See Note 1 on page 18)

(See Note 2 on page 18)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	9,075,131.66	9,075,131.66	9,075,131.66	5.60	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	6,000,000.00	5,999,940.00	5,999,866.67	3.70	150	5	0.160	0.162
Federal Agency Coupon Securities	34,888,888.78	34,820,401.00	34,900,177.41	21.55	1,294	567	0.714	0.724
Federal Agency Disc. -Amortizing	62,000,000.00	61,993,540.00	61,986,203.33	38.27	139	72	0.105	0.106
Local Agency Investment Funds	50,000,000.00	49,999,019.00	50,000,000.00	30.87	1	1	0.258	0.262
Investments	161,964,020.44	161,888,031.66	161,961,379.07	100.00%	338	150	0.280	0.284
Cash								
Passbook/Checking (not included in yield calculations)	1,298,275.06	1,298,275.06	1,298,275.06		1	1	0.000	0.000
Total Cash and Investments	163,262,295.50	163,186,306.72	163,259,654.13		338	150	0.280	0.284

Total Earnings	February 20 Month Ending	Fiscal Year To Date
Current Year	26,049.03	268,773.25
Average Daily Balance	167,520,381.71	162,408,763.40
Effective Rate of Return	0.28%	0.26%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2015. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."


2/27/15
 Patricia Jakubiak, Treasurer

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 163,259,654.13
GASB 31 Adjustment to Books (See Note 3 on page 18)	\$ (94,166.47)
Total	\$ 163,165,487.66

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
February 20, 2015

(See Note 1 on page 18) (See Note 2 on page 18)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	High Mark 100% US Treasury MMF			9,075,131.66	9,075,131.66	9,075,131.66	0.001	0.001	1	
		Subtotal and Average	10,135,733.22		9,075,131.66	9,075,131.66	9,075,131.66		0.001	1	
Commercial Paper Disc. -Amortizing											
36959JPS6	835	GEN ELEC CAP CRP		09/29/2014	6,000,000.00	5,999,940.00	5,999,866.67	0.160	0.162	5	02/26/2015
		Subtotal and Average	5,999,613.33		6,000,000.00	5,999,940.00	5,999,866.67		0.162	5	
Federal Agency Coupon Securities											
3133ECM76	809	Federal Farm Credit Bank (Callable anytime)		04/25/2013	9,000,000.00	8,991,810.00	8,997,537.33	0.400	0.424	426	04/22/2016
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	5,995,140.00	6,000,000.00	1.000	0.981	900	08/09/2017
3133813R4	800	Fed Home Loan Bank (Callable 3-9-15)		12/20/2012	9,000,000.00	8,938,620.00	9,008,006.37	1.000	0.966	992	11/09/2017
313382DC4	803	Fed Home Loan Bank (Callable anytime)		03/15/2013	888,888.78	888,631.00	888,826.42	0.470	0.477	380	03/07/2016
3130A3RM8	850	Fed Home Loan Bank (Callable 6-30-15)		12/30/2014	10,000,000.00	10,006,200.00	10,005,807.29	0.770	0.645	129	12/30/2016
		Subtotal and Average	34,900,280.50		34,888,888.78	34,820,401.00	34,900,177.41		0.724	567	
Federal Agency Disc. -Amortizing											
313312FH8	846	Farm Credit Disc Note		12/18/2014	9,000,000.00	8,999,010.00	8,997,340.00	0.140	0.144	76	05/08/2015
313396CZ4	837	Freddie Mac		10/27/2014	8,000,000.00	7,999,840.00	7,999,733.33	0.060	0.062	20	03/13/2015
313396ED1	847	Freddie Mac		12/18/2014	9,000,000.00	8,999,550.00	8,998,740.00	0.105	0.108	48	04/10/2015
313396FX6	848	Freddie Mac		12/18/2014	9,000,000.00	8,998,830.00	8,997,075.00	0.130	0.134	90	05/22/2015
313396GM9	849	Freddie Mac		12/18/2014	9,000,000.00	8,998,470.00	8,996,490.00	0.135	0.139	104	06/05/2015
313384DP1	840	Fed Home Loan Bank		12/04/2014	9,000,000.00	8,999,730.00	8,999,405.00	0.070	0.072	34	03/27/2015
313384HN2	851	Fed Home Loan Bank		02/03/2015	9,000,000.00	8,998,110.00	8,997,420.00	0.080	0.082	129	06/30/2015
		Subtotal and Average	66,484,754.67		62,000,000.00	61,993,640.00	61,986,203.33		0.106	72	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			50,000,000.00	49,999,019.00	50,000,000.00	0.262	0.282	1	
		Subtotal and Average	50,000,000.00		50,000,000.00	49,999,019.00	50,000,000.00		0.262	1	
		Total and Average	167,520,381.71		161,964,020.44	161,888,031.66	161,961,379.07		0.284	150	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
February 20, 2015

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10104	10104	American Benefit Plan Admin		07/01/2014	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2014	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2014	1,013,275.06	1,013,275.06	1,013,275.06		0.000	1
SYS361	361	CORVEL		07/01/2014	250,000.00	250,000.00	250,000.00		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			167,520,381.71		163,262,295.50	163,186,306.72	163,259,654.13		0.284	150

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of February 21, 2015

Orange County Fire Authority
 1 Fire Authority Road
 Irvine, Irvine, CA 92602
 (714)573-6301

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value	
Aging Interval:	0 days	(02/21/2015 - 02/21/2015)	6 Maturities	0 Payments	60,373,406.72	36.98%	60,373,406.72	60,372,425.72
Aging Interval:	1 - 30 days	(02/22/2015 - 03/23/2015)	2 Maturities	0 Payments	14,000,000.00	8.58%	13,999,600.00	13,999,780.00
Aging Interval:	31 - 60 days	(03/24/2015 - 04/22/2015)	2 Maturities	0 Payments	18,000,000.00	11.02%	17,998,145.00	17,999,280.00
Aging Interval:	61 - 91 days	(04/23/2015 - 05/23/2015)	2 Maturities	0 Payments	18,000,000.00	11.02%	17,994,415.00	17,997,840.00
Aging Interval:	92 - 121 days	(05/24/2015 - 06/22/2015)	1 Maturities	0 Payments	9,000,000.00	5.51%	8,996,490.00	8,998,470.00
Aging Interval:	122 - 152 days	(06/23/2015 - 07/23/2015)	1 Maturities	0 Payments	9,000,000.00	5.51%	8,997,420.00	8,998,110.00
Aging Interval:	153 - 183 days	(07/24/2015 - 08/23/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	(08/24/2015 - 11/22/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	(11/23/2015 - 02/21/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	(02/22/2016 - 02/20/2018)	5 Maturities	0 Payments	34,888,888.78	21.38%	34,900,177.41	34,820,401.00
Aging Interval:	1096 days and after	(02/21/2018 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			19 Investments	0 Payments		100.00	163,259,654.13	163,186,306.72



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2014 includes an increase of \$14,938 to the LAIF investment and a decrease of \$(109,104) to the remaining investments.
- Note 4: The Highmark money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
March 11, 2015

Agenda Item No. 4B
Discussion Calendar

Updated Broker/Dealer List

Contact(s) for Further Information

Patricia Jakubiak, Treasurer
Treasury & Financial Planning

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714.573.6301

Summary

This annual agenda item is submitted to the Committee to request approval to update the current list of broker/dealers that the Treasurer uses for competitive bidding of investment purchases.

Prior Board/Committee Action

The Budget and Finance Committee (BFC) approved this item at its January 14, 2015, meeting; however, this item was returned to the BFC for additional consideration at the request of Director Spitzer and approval by the Executive Committee at its January 15, 2015, meeting. This would provide BFC Members additional information and an opportunity to review a summary of the Financial Industry Regulatory Authority (FINRA) reports.

Recommended Action(s)

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee Meeting of March 19, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee approve the proposed Broker/Dealer List to include the following three firms:

- FTN Financial
- Raymond James
- UBS Financial Services

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

See attached extended background regarding the process and selection of the recommend service providers.

Attachment(s)

1. OCFA's 2015 Investment Policy Excerpt Regarding Broker/Dealers
 2. Government Finance Officers Association (GFOA) Best Practices for Selecting Broker/Dealers
 3. Summary of FINRA regulatory event report for FTN Financial Securities Corp.
 4. Summary of FINRA regulatory event report for Raymond James Financial Services Inc.
 5. Summary of FINRA regulatory event report for UBS Financial Services Inc.
- FINRA reports are on file in Clerk's Office, and available on-line with the agenda staff report at <http://www.ocfa.org/uploads/pdf/bf150311.pdf>

Background

The OCFA's policy for selection and use of broker/dealer services follows the best practices issued by the Government Finance Officers' Association (GFOA), and is prescribed by policy in the OCFA's Annual Investment Policy (Attachments 1 & 2). This Policy is reviewed, renewed, and approved by the Budget and Finance Committee and the Board of Directors annually. Staff is adhering to the Policy approved by the Board.

During prior OCFA meetings, a member of the public has repeatedly raised concern with the broker/dealer selection process noting that this selection should be conducted using a Request for Proposal (RFP). The OCFA typically performs a RFP process to lock in clear specifications regarding what we wish to buy, how we want something built, what pricing will be provided, and/or time of delivery. In the case of investment transactions through broker/dealer services, none of these traditional specifications may be locked in through an RFP.

The Investment Policy encourages competitive bidding on investment transactions from an approved broker/dealer list. The Policy also requires that the broker/dealer list be reviewed and updated annually. The Executive Committee approved the last broker/dealer list update on January 23, 2014. The list is limited to three firms, due to the impracticality of dealing with a large list of service providers when obtaining competitive bids.

To qualify, broker/dealer service providers must meet the following *minimum* requirements:

- Agree to comply with the investment policies of the Authority
- Be a primary or regional dealer that qualifies under the Securities and Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule)
- Have a branch office in California
- Be experienced in institutional trading practices and familiar with the California Government Code as related to investments for local governmental agencies
- Have been in business for at least three years
- Provide current audited financial statements
- Provide proof of Financial Industry Regulatory Authority (FINRA) certification

To verify qualifications, OCFA requires completion of a "Broker/Dealer Questionnaire & Certification", based on guidelines of the Government Finance Officers' Association. The questionnaire addresses capital adequacy standards, history of FINRA complaints, staff qualifications, and references. Both the account representative and the individual in charge of government securities operations must sign certifying the accuracy of their responses to the questionnaire and pledging due diligence in informing OCFA staff of all foreseeable risks in financial transactions conducted with OCFA. They must also certify that they've read OCFA's Investment Policy and that they've implemented a system of controls designed to preclude imprudent investment activities that are in conflict with OCFA's investment objectives, strategies, and risk constraints. A copy of each firm's questionnaire and certification is on file in the Treasurer's Office and available upon request.

In addition to the standard requirements, other factors such as competitiveness of quotes, responsiveness, reputation, and reliability are also considered in the annual review process. This year, all three of the firms are recommended for renewal due to the quality service they have provided over the past year.

In addition to being responsive to the Treasurer's specific requests, the firms recommended for renewal consistently provide daily inventory/pricing lists and comprehensive updates on the economy and fixed income markets. Furthermore, the specific brokers from these firms have a long tenure working in the securities industry and are familiar with OCFA's Investment Policy and practices, which results in more efficient trading.

Risk Mitigation

The safety of public funds is OCFA's primary objective. One of the most important protections and a control against fraud is the separation of the safekeeping and custody function from the investment function. As recommended by GFOA, OCFA uses a third party, MUFG Union Bank, as its custodial bank to minimize safekeeping or custodial risk in an investment transaction. MUFG Union Bank is responsible for the transfer and the safekeeping of the securities, not the broker dealer who sold the investment to OCFA.

In addition, also recommended by the GFOA, all of OCFA's trades are executed on a delivery-versus-payment (DVP) basis where OCFA's payment for securities is due at the time of delivery. Security delivery and payment occur simultaneously. This ensures that no funds are at risk in an investment transaction as funds are not released until the securities are delivered, ensuring that OCFA has either money or securities at all times during the transaction.

Lastly, staff also reviewed the Financial Regulatory Authority (FINRA) reports on regulatory events for each firm and broker. FINRA is dedicated to investor protection and market integrity through effective and efficient regulation of the securities industry. It protects investors by making sure the securities industry operates fairly and honestly by:

- writing and enforcing rules governing the activities of more than 4,100 securities firms with approximately 639,780 brokers;
- examining firms for compliance with those rules;
- fostering market transparency; and
- educating investors

FINRA provides information on any disclosure events where the brokerage firm was named as a respondent. This Agenda Item was continued at the January 15, 2015 Executive Committee Meeting at the request of Director Spitzer to provide the Budget and Finance Committee members additional information and an opportunity to review a summary of the FINRA regulatory reports for each firm. (Attachments 2, 3 and 4).



ORANGE COUNTY FIRE AUTHORITY

INVESTMENT POLICY

Excerpt Regarding Broker/Dealers

Calendar Year 2015

8. **Authorized Financial Dealers and Institutions**: To promote the optimum yield on the investment of Authority funds, investment procedures shall be designed to encourage competitive bidding on transactions from approved financial institutions or broker/dealers.
- 8.1. On an annual basis, the Treasurer shall recommend a list of at least three financial institutions and broker/dealers who are authorized to provide investment services. The list shall be approved by the Budget and Finance Committee and the Executive Committee. All financial institutions and broker/dealers who wish to be considered for the list must meet the following minimum requirements:
- 8.1.1 Must certify that they have read and agree to comply with the investment policies of the Authority.
- 8.1.2 Must be a primary or regional dealer that qualifies under the Securities and Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule).
- 8.1.3 Must have an branch office in California.
- 8.1.4 Must be experienced in institutional trading practices and familiar with the California Government Code as related to investments for local governmental agencies.
- 8.1.5 Must have been in business for at least three years.
- 8.1.6 Must provide current audited financial statements.
- 8.1.7 Must provide proof of Financial Industry Regulatory Authority(FINRA) .
- 8.1.8 Other criteria as may be established in the *Investment Procedures Manual* of the Authority.
- 8.2. All financial institutions in which the Authority's public funds are deposited will supply the Treasurer with the following:
- 8.2.1 Current audited financial statements.
- 8.2.2 Depository contracts.

8.2.3 A copy of the latest FDIC call report.

8.2.4 Proof that the institution is state or federally chartered.



GFOA Best Practice

Government Relationships with Securities Dealers

Background. Finance officers, treasurers and investment officers (hereafter referred to as government investors) who manage and invest public funds place billions of dollars in the fixed-income and money markets on a daily basis. They have a fiduciary responsibility to protect public funds, to always act in the best interest of their entity, to maintain safety and an appropriate level of liquidity and to attain a competitive return on their portfolio.

Generally, access to the securities markets is made through securities dealers who are registered broker/dealers and through financial institutions (banks) with broker/dealer subsidiaries. The fiduciary responsibilities of a government investor include ensuring that:

- reasonable comparisons are made to judge the appropriateness of all investments;
- securities meet the criteria established in the investment policy, including liquidity, diversity and risk of investments;
- security transactions are made on a best execution basis through a competitive process;
- the counterparty to the transaction will fulfill all of its obligations; and,
- the securities are properly safe-kept at a qualified custodial agent in a segregated account.

It is important to note that brokers/firms may have unique strengths that may provide exceptional value within a specific category of investments, provided that you understand the security that you are purchasing, it dovetails with your investment policy, and you are aware of the risks associated with the transaction. A unique strength may compliment the skills and abilities of other approved brokers/firms.

Communication with broker/dealers for the purposes of discussing market conditions, reviewing investment strategies and transacting a trade often occurs by phone, e-mail, or fax. Regardless of the method of communicating with a broker, a government investor needs to perform due diligence on all securities dealers prior to adding them to their list of approved brokers/dealers for transacting trades.

Recommendation. GFOA makes the following specific recommendations to government investors in selecting securities dealers for their approved vendor list,

managing the relationships with the broker/dealers, and conducting investment transactions with them:

1. All securities are held in a third party bank separate from the broker/dealer that is transacting business.
2. Use a defined internal process to select, qualify, renew, or terminate brokers and dealers.
 - a. Use a questionnaire, conduct an interview, and/or conduct peer references to help determine that the broker understands the public entity's needs/objectives.
 - b. Determine that the broker is actively involved in the market sectors utilized by the government entity.
 - c. Select a number of brokers suitable to the entity, allowing for appropriate competition/service on all transactions, while limiting it to a manageable number.
 - d. Require security brokers and dealers to comply with the Federal Reserve Bank of New York's capital adequacy guidelines or SEC Net Capital Rule as a condition of doing business. Obtain annual financial reports of the securities firm.
 - e. Require that brokers provide written acknowledgement or certification of their review and understanding of the government entity's investment policy to assure compliance with its objectives, portfolio risk constraints, and investment trading requirements.
 - f. Record and retain pertinent information on the firm and the individual broker including an annual review of the Central Registration Depository (CRD®) information for both maintained by the Financial Industry Regulation Authority (FINRA). Violations or sanctions imposed by a regulatory agency or government should be carefully reviewed for termination of relationship.
 - g. Establish parameters that guide periodic review and potential termination of a broker dealer relationship.
 - h. Do not select or approve more broker/dealers than will be reasonably used. It is better to develop good relationships with a small number of approved dealers than to have a long list of firms who transact little or no business with the investing entity.
3. Due diligence on broker/dealers should include obtaining information on:
 - a. a security dealer's experience and knowledge of public funds investing;
 - b. all contact information for the primary contact, backup and operations staff;
 - c. a broker's manager and supervisor;
 - d. the financial strength of the firm;
 - e. areas of expertise and trading activity;
 - f. registration with FINRA and any citations;
 - g. the names and contact information for references similar to the entity; and

- h. potential conflicts of interest.
- 4. Establish a competitive procedure for attaining reasonable market rates on investment transactions:
 - a. Require that all security sales be made through a competitive bid process. If possible, use a competitive offer process on purchases as well.
 - b. Securities sold through a selling group at a set price (usually par) or available for specific bidding should be compared to comparable maturity securities as part of the competitive process to determine the best relative value.
- 5. Require that all security transactions be settled on a delivery versus payment basis at the entity's custodian bank to perfect ownership under a written custodial agreement.
- 6. Retain complete transaction documentation for audit trail purposes including trade tickets, confirmations and safekeeping receipts.
- 7. Electronic trading platforms, such as Bloomberg and Tradeweb, are becoming another alternative to competitive pricing. These platforms can provide improved transparency over competitive bids and should be considered if cost effective for the government. It is still important to have a broker assigned to the account on the electronic platforms so that contact can be made if necessary. The same due diligence should be completed with all broker dealers on the electronic platforms.
- 8. Follow all state and entity ethics policies when dealing with all broker/dealers and investment vendors.

References.

Introduction to Broker-Dealers for State and Local Governments, Second Edition, Sofia Anastopoulos, GFOA, 2008.

Investing Public Funds, Second Edition, Girard Miller with M. Corinne Larson and W. Paul Zorn, GFOA, 1998.

Federal Reserve Bank of New York, www.frb.ny.gov,
http://www.newyorkfed.org/markets/pridealers_listing.html.

www.finra.gov;
http://www.nasd.com/web/idcplg?IdcService=SS_GET_PAGE&nodeId=370.

Securities and Exchange Commission, www.sec.gov, VI. Financial Responsibility of Broker Dealers, A. Net Capital Rule 15c3-1 (17 CFR 240.15c3-1)
<http://www.sec.gov/divisions/marketreg/bdguide.htm#VI>.

Approved by the GFOA's Executive Board, October, 2012.

FTN Financial Securities Corp Firm Profile

Year Formed	1998
2013 Revenues	\$1.2 Billion
Number of Employees	4,300
Types of Businesses	9
Number of Countries	2
Orange County Clients Include	County of Orange, San Clemente, Santa Ana, Stanton, Tustin
Lead Broker's Securities Industry Experience	25 years
Lead Broker's FINRA* Disclosure Events	-0-

FTN Financial Securities Corp
FINRA* Broker Check Report
As of December 8, 2014

A	Disclosure Events Pending
	NONE

FTN Financial Securities Corp
FINRA Broker Check Report
As of December 8, 2014

B Disclosure Events Where Claim was Upheld

<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
10/30/2002	11/20/2002	Equity – OTC Municipal Bonds	Firm failed to report short sales correctly. A short sale is where an investor sells a borrowed security in anticipation of a price decline so it can be bought back at a lower price to make a profit.

FTN Financial Securities Corp FINRA Broker Check Report As of December 8, 2014

C Disclosure Events Where Firm Paid Fine Without Admitting or Denying the Findings

	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	10/15/2013	10/15/2013	Debt-Corporate	Firm failed to report to the “trade reporting compliance engine” (TRACE) transactions in trace-eligible securities within 15 minutes of the time of execution.
	10/22/2012	10/22/2012	Same as above	Same as above
	9/24/2012	10/25/2012	Same as above	Same as above
	11/17/2011	11/17/2011	No product	In a transaction between FTN and a registered Investment Advisor in Illinois, FTN executed a repurchase agreement with the Investment Advisor. The Investment Advisor failed to maintain true and accurate financial statements. Although FTN became concerned and restricted the Advisor’s future purchases, It should have known that the advisor would use the repurchase transaction for an improper purpose.

FTN Financial Securities Corp FINRA Broker Check Report As of December 8, 2014

C Disclosure Events Where Firm Paid Fine Without Admitting or Denying the Findings				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	6/26/2008	6/26/2008	TRACE-eligible securities	Firm failed to report transactions in trace-eligible securities within 15 minutes of execution.
	6/26/2008	6/26/2008	Debt-Corporate	Firm failed to report correct contra-party's identities to TRACE and to report the transaction within 30 minutes of execution.
	10/24/2006	10/24/2006	No product	Firm incorrectly calculated its reserve requirement and therefore did not have the accurate amount on deposit in the reserve bank account.
	11/20/2002	11/20/2002	No product	Firm failed to report short sales correctly.

Raymond James Financial Services Inc. Firm Profile

Year Formed	1973
2013 Revenues	\$4.6 Billion
Number of Employees	6,200
Types of Businesses	15
Number of Countries	10
Orange County Clients Include	Irvine, Lake Forest, San Clemente, Santa Ana
Lead Broker's Securities Industry Experience	11 years
Lead Broker's FINRA* Disclosure Events	-0-

Raymond James Financial Services
FINRA* Broker Check Report
As of December 8, 2014

A	Disclosure Events Pending
	NONE

Raymond James Financial Services FINRA Broker Check Report As of December 8, 2014

B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	6/20/2013	5/28/2014	No Product	Firm failed to supervise its financial advisor in Nevada who did not disclose or failed to obtain approval from the firm for his role as successor co-trustee, trustee executor and power of attorney for a client.
	6/1/2010	6/1/2010	Mutual Funds	Failed to follow mutual fund exchange procedures and failed to reasonably supervise an employee.
	1/16/2009	2/17/2009	Annuity-variable	An employee sold a Missouri resident a variable rate annuity product that was deemed inappropriate.
	12/1/2006	2/5/2008	No Product	Lack of home office personnel registered in Georgia to deal with Georgia residents.
	2/1/2008	2/1/2008	No Product	Failure to reasonably supervise trading activity leading to improper trades at Massachusetts Branch Office.

Raymond James Financial Services FINRA Broker Check Report As of December 8, 2014

B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	12/18/2003	12/1/2008	Options	Failure to properly supervise two registered reps in Massachusetts.
	6/20/2007	6/29/2007	Other	Firm failed to supervise securities agents who made unsuitable recommendations to customers; lent money to a customer who was engaged in fraudulent activity, excessive trading, and filed false and/or misleading statements.
	5/31/2007	8/6/2007	Equities	Firm failed to supervise salesperson who engaged in unsuitable and unauthorized trading in client's account.
	4/5/2007	4/5/2007	No product	Firm failed to supervise and record a registered rep's private securities transaction.
	11/29/2006	4/5/2007	No Product	Firm allowed registered rep to participate in a transaction approved as an outside business activity that should have been approved as a private securities transaction.

Raymond James Financial Services FINRA Broker Check Report As of December 8, 2014

B	Disclosure Events Where Claim was Upheld			
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	9/19/2005	10/16/2006	Other	Failure to supervise and maintain proper books and records.
	7/16/2004	11/24/2004	No Product	Former financial advisor failed to follow the firm's written supervisory procedures to disclose outside business activities and maintaining an account with a firm customer.
	9/30/2004	11/21/2005	Other	Firm failed to supervise a registered rep who committed fraudulent acts.
	12/31/1996	6/12/1997	Debt-Corporate	Firm offered investments to North Dakota residents that were not registered or exempt under North Dakota law.
	6/23/1998	6/23/1998	No Product	Firm employed an investment advisor rep that was not licensed in Virginia.
	12/21/1994	11/24/1997	No Product	Firm failed to adequately review and monitor a registered rep's activities and to have adequate supervisory procedures.

Raymond James Financial Services FINRA Broker Check Report As of December 8, 2014

C Disclosure Events Where Firm Paid Fine Without Admitting or Denying the Findings				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	7/1/2013	1/13/2014	Options	Firm had to return profit from a trade placed by a customer that had material information related to a merger.
	9/17/2012	9/17/2012	Auction Rate Securities (ARS)	Firm did not adequately disclosed all of the risk of ARS. On February 13, 2008, a number of ARS auctions failed, resulting in the overall market collapse that left thousands of investors, including the firm's customers in Iowa holding ARS that they have, in some cases, not been able to liquidate because of a failed auction.
	9/14/2012	9/14/2012	ARS	Same as above – Ohio customers.
	9/6/2012	9/6/2012	ARS	Same as above – Alaska customers.
	7/24/2012	7/24/2012	ARS	Same as above – Pennsylvania customers.
	7/16/2012	7/19/2012	ARS	Same as above – Illinois customers.
	6/13/2012	6/25/2012	ARS	Same as above – West Virginia customers.

Raymond James Financial Services FINRA Broker Check Report As of December 8, 2014

C	Disclosure Events Where Firm Paid Fine Without Admitting or Denying the Findings			
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	5/31/2012	5/31/2012	ARS	Same as above – Michigan customers.
	5/24/2012	5/24/2012	ARS	Same as above – District of Columbia customers.
	5/17/2012	5/17/2012	ARS	Same as above – US Virgin Islands customers.
	4/4/2012	4/4/2012	ARS	Same as above – Arkansas customers.
	2/23/2012	2/23/2012	ARS	Same as above – Wisconsin customers.
	1/12/2012	1/12/2012	ARS	Same as above – Nebraska customers.
	1/9/2012	1/9/2012	ARS	Same as above – Delaware customers.
	1/4/2012	1/4/2012	ARS	Same as above – Georgia customers.
	12/20/2011	12/20/2011	ARS	Same as above – Colorado customers.
	11/23/2011	11/23/2011	ARS	Same as above – Mississippi customers.

Raymond James Financial Services FINRA Broker Check Report As of December 8, 2014

C Disclosure Events Where Firm Paid Fine Without Admitting or Denying the Findings				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	11/22/2011	11/22/2011	ARS	Same as above – Washington customers.
	11/09/2011	11/15/2011	ARS	Same as above – Virginia customers.
	11/09/2011	11/09/2011	ARS	Same as above – Massachusetts customers.
	11/4/2011	11/4/2011	ARS	Same as above – Missouri customers.
	10/28/2011	10/28/2011	ARS	Same as above – Maine customers.
	10/27/2011	10/27/2011	ARS	Same as above – Utah customers.
	10/24/2011	10/24/2011	ARS	Same as above – Maryland customers.
	10/19/2011	10/19/2011	ARS	Same as above – Minnesota customers.
	10/14/2011	10/14/2011	ARS	Same as above – Kansas customers.
	10/13/2011	10/13/2011	ARS	Same as above – Oregon customers.

Raymond James Financial Services FINRA Broker Check Report As of December 8, 2014

C	Disclosure Events Where Firm Paid Fine Without Admitting or Denying the Findings			
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	10/5/2011	10/5/2011	ARS	Same as above – Wyoming customers.
	10/3/2011	10/3/2011	ARS	Same as above – New Mexico customers.
	10/3/2011	10/3/2011	ARS	Same as above – Idaho customers.
	9/26/2011	9/26/2011	ARS	Same as above – North Dakota customers.
	9/19/2011	9/19/2011	ARS	Same as above – Tennessee customers.
	9/12/2011	9/12/2011	ARS	Same as above – Montana customers.
	9/9/2011	9/9/2011	ARS	Same as above – Vermont customers.
	9/8/2011	9/8/2011	ARS	Same as above – New Jersey customers.
	8/26/2011	8/26/2011	ARS	Same as above – Rhode Island customers.
	8/25/2011	8/25/2011	ARS	Same as above – South Dakota customers.

Raymond James Financial Services FINRA Broker Check Report As of December 8, 2014

C Disclosure Events Where Firm Paid Fine Without Admitting or Denying the Findings				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	8/25/2011	8/25/2011	ARS	Same as above – South Carolina customers.
	8/25/2011	8/25/2011	ARS	Same as above – Puerto Rico customers.
	8/23/2011	8/23/2011	ARS	Same as above – Alabama customers.
	8/18/2011	8/18/2011	ARS	Same as above – Nevada customers.
	8/5/2011	8/5/2011	ARS	Same as above – Indiana customers.
	6/29/2011	6/29/2011	ARS	Same as above – Texas customers.
	6/29/2011	6/29/2011	ARS	Same as above – Florida customers.
	3/30/2012	3/30/2012	Options	Firm failed to implement procedures that could detect and report suspicious activity in a customer’s account who was operating a Ponzi scheme.
	9/29/2011	9/29/2011	Low Priced Securities	Firm used an automated commission schedule deemed not fair and reasonable.

Raymond James Financial Services FINRA Broker Check Report As of December 8, 2014

C	Disclosure Events Where Firm Paid Fine Without Admitting or Denying the Findings			
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	6/1/2010	6/1/2010	Other Municipal Securities	Firm failed to enforce procedures related to the sale of 526 College Savings Plans.
	12/21/2007	12/21/2007	Mutual Funds Variable Rate Annuities	Firm's supervisory system was deficient and failed to detect violations. Employee made unsuitable recommendations to client. Firm also failed to provide adequate training to compliance advisors.
	2/25/2005	11/11/2006	Common and Preferred Stock and Variable Annuity	Failure to supervise which led to purchases of unsuitable investments for a customer and excessive trading.
	4/26/2005	4/26/2005	Mutual Funds and Stocks	Failure to maintain supervisory systems to review and monitor fee-based brokerage accounts to determine if they were appropriate for customers.
	11/30/2004	11/30/2004	No Product	Late filing of U4 and U5 forms. The U4 form is used by broker-dealers to register individuals with the Securities and Exchange Commission (SEC) and the U5 form is used to terminate registrations.

Raymond James Financial Services FINRA Broker Check Report As of December 8, 2014

C Disclosure Events Where Firm Paid Fine Without Admitting or Denying the Findings				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	11/24/2004	11/24/2004	No Product	One of the firm's former financial advisors improperly formed and maintained a partnership in a securities account with a customer.
	10/15/2004	10/15/2004	Debt-Municipal	Firm inaccurately reported municipal principal transactions as a result of a technical error.
	2/12/2004	2/12/2004	Mutual Funds	Firm failed to provide breakpoint discounts to eligible customers.
	8/26/2002	8/26/2002	No Product	Failed to report statistical and summary information on customer complaints.
	7/31/2002	7/31/2002	Options and Stock	Failure to supervise a former rep who excessively traded a customer's account.
	1/28/1994	11/22/1994	Investment Contracts	Firm sold securities in Massachusetts that were not registered or exempt under law.

UBS Financial Services Inc. Firm Profile

Year Formed	1969
2013 Revenues	\$31.63 Billion
Number of Employees	60,205
Types of Businesses	24
Number of Countries	50
Orange County Clients Include	County of Orange, Dana Point, Irvine and Mission Viejo
Lead Broker's Securities Industry Experience	22 years
Lead Broker's FINRA* Disclosure Events	-0-

UBS Financial Services
FINRA* Broker Check Report
As of December 8, 2014

A Disclosure Events Pending				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
1.	9/25/1985	Pending	No Product	Firm employed unregistered agents in Pennsylvania

*FINRA- Financial Industry Regulatory Authority

UBS Financial Services FINRA Broker Check Report As of December 8, 2014

B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	11/24/2014	12/1/2014	No Product	Firm had inadequate supervisory processes and procedures regarding the recommendation and engagement of a third party investment manager.
	9/3/2014	9/25/2014	No Product	Firm did not establish a supervisory system to monitor if a person who accepted an order from a customer was registered in the state of the customer's residence – Louisiana.
	6/26/2014	6/26/2014	No Product	Same as above – Oklahoma customers
	5/22/2014	5/27/2014	No Product	Same as above – South Dakota customers
	4/3/2014	4/4/2014	No Product	Same as above – Nebraska customers
	3/17/2014	3/17/2014	No Product	Same as above – New York customers

UBS Financial Services FINRA Broker Check Report As of December 8, 2014

B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	2/11/2014	2/19/2014	No Product	Same as above – Virgin Island customers
	1/16/2014	1/24/2014	No Product	Same as above – Kentucky customers
	3/1/2011	1/26/2014	No Product	Same as above – Kansas customers
	1/7/2014	1/28/2014	No Product	Same as above – Florida customers
	7/12/2013	1/23/2014	No Product	Same as above – Maine customers
	1/21/2014	1/21/2014	No Product	Same as above – Alabama customers
	12/6/2013	12/30/2013	No Product	Same as above – Colorado customers
	1/9/2014	1/13/2014	No Product	Same as above – New Mexico customers
	10/14/2013	12/19/2013	No Product	Same as above – Tennessee customers

UBS Financial Services FINRA Broker Check Report As of December 8, 2014

B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	12/6/2013	12/17/2013	No Product	Same as above – South Carolina customers
	12/5/2013	12/10/2013	No Product	Same as above – Iowa customers
	12/5/2013	12/5/2013	No Product	Same as above – Utah customers
	11/20/2013	11/20/2013	No Product	Same as above – Ohio customers
	11/22/2013	11/22/2013	No Product	Same as above – Virginia customers
	12/4/2013	12/4/2013	No Product	Same as above – Missouri customers
	11/14/2013	11/18/2013	No Product	Same as above – Rhode Island customers
	11/14/2013	11/14/2013	No Product	Same as above – Arkansas customers
	11/6/2013	11/13/2013	No Product	Same as above – Puerto Rico customers

UBS Financial Services FINRA Broker Check Report As of December 8, 2014

B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	10/21/2013	10/22/2013	No Product	Same as above – Wisconsin customers
	10/21/2013	10/24/2013	No Product	Same as above – Indiana customers
	10/22/2013	10/22/2013	No Product	Same as above – Utah customers
	10/8/2013	10/14/2013	No Product	Same as above – North Dakota customers
	10/3/2013	10/9/2013	No Product	Same as above – Minnesota customers
	10/4/2013	10/4/2013	Common and Preferred Stock	Client service associates accepting customer orders were not adequately supervised or registered in California.
	10/15/2013	10/15/2013	No Product	Same as above – Connecticut customers
	10/3/2013	10/4/2013	No Product	Same as above – Nevada customers
	10/3/2013	10/4/2013	No Product	Same as above – Delaware customers

UBS Financial Services FINRA Broker Check Report As of December 8, 2014

B	Disclosure Events Where Claim was Upheld			
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	9/13/2013	9/19/2013	No Product	Same as above – Vermont customers
	9/13/2013	9/16/2013	No Product	Same as above – Texas customers
	7/12/2013	10/22/2013	Options	Same as above – New Hampshire customers
	10/8/2013	10/14/2013	No Product	Same as above – Alaska customers
	10/2/2013	10/3/2013	No Product	Same as above – Mississippi customers
	10/24/2013	10/24/2013	No Product	Same as above – Pennsylvania customers
	10/17/2013	10/18/2013	No Product	Same as above – Massachusetts customers
	10/14/2013	10/14/2013	No Product	Same as above – Oregon customers
	10/17/2013	10/18/2013	No Product	Same as above – Georgia customers

UBS Financial Services FINRA Broker Check Report As of December 8, 2014

B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	8/23/2013	8/23/2013	No Product	Same as above – New Jersey customers
	10/29/2010	10/29/2010	Leveraged Exchange Traded Funds	Firm's agent sold unsuitable investments.
	8/18/2009	10/5/2010	Mutual Funds	Two agents sold investments in New Hampshire when they were not licensed.
	7/31/2008	8/1/2008	Mutual Funds	Firm did not take sufficient measures to ensure that certain registered reps informed their Illinois clients about the transferability of UBS funds.

UBS Financial Services FINRA Broker Check Report As of December 8, 2014

B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	6/29/2007	10/4/2007	Other	Failed to ensure the delivery of properties for certain transactions
	1/11/2007	1/11/2006	Mutual Funds	Firm failed to supervise brokers in New Jersey who, with their clients, engaged in deceptive market timing.
	7/7/2004	7/7/2004	Sales Literature	Firm sent sales literature to customers which included a targeted return rate without providing a sound basis so investors could evaluate it.
	6/28/2004	6/28/2004	Municipal Securities	Firm relied on bids from a brokers broker to determine fair market value of a security which did not ensure prices were fair and reasonable.
	10/14/2003	10/14/2003	No Product	Firm's system was not adequately designed to achieve compliance for short sales transactions. In a short sale, an investor sells a borrowed security in anticipation of a price decline so it can be bought back at a lower price to make a profit.

UBS Financial Services FINRA Broker Check Report As of December 8, 2014

B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	9/19/2003	9/19/2003	No Product	Firm failed to provide the routing firm new order reports submitted for wholesale orders received electronically from another reporting member.
	4/23/2003	7/11/2003	Callable CDs	Firm sold callable Certificates of Deposit (CDs) which were unsuitable for certain customers.
	4/21/2003	4/21/2003	No Product	Firm failed to submit information to Order Audit Trail System (OATS) on 27 business days.
	1/27/2003	3/27/2003	OTC Equities	Failed to transmit sale reports within 90 seconds after execution
	3/28/2003	3/28/2003	Other	Failed to accept or decline transactions within 20 minutes after execution
	1/26/1999	11/5/2001	OTC Equities	Firm's system incorrectly reported high yield corporate debt transactions.

UBS Financial Services FINRA Broker Check Report As of December 8, 2014

B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	7/25/2001	7/25/2001	Common Preferred Stock	Firm failed to obtain proper documentation on new issue offerings.
	1/1/1981	6/30/1981	Commodity Futures	Employees registration was suspended for unauthorized transferring of clients funds from their money market account to their commodities account to meet margin requirements in the commodities account.
	4/29/1991	4/24/1992	Options	Firm failed to supervise employee who was conducting unauthorized trades in customer's account.
	4/6/2000	4/6/2000	Municipal Refunding Bonds	Firm over charged for treasury securities purchased for escrow.
	2/11/2000	2/11/2000	OTC Equity	Firm accounted for more than 1% of the trading volume in certain securities and was therefore a market maker but failed to register as such within 10 days of the end of the quarter.

UBS Financial Services FINRA Broker Check Report As of December 8, 2014

B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	6/1/1985	6/1/1985	Options	Improperly purchased General Motors call options prior to issuance of a favorable research recommendation.
	8/1/1973	8/1/1973	No Product	Violation of Chicago Mercantile Exchange Rule which defines what constitutes an emergency
	12/1/1982	12/1/1982	Options	Violation of Chicago Board of Options Exchange (CBOE) Business Conduct Rules
	6/1/1981	6/1/1981	No Product	Purported violation of Exchange Rule to report trading positions
	6/1/1982	6/1/1982	No Product	Purported violation of American Stock Exchange rules on reporting requirements
	4/1/1985	4/1/1985	No Product	Position limit violations - highest number of options or futures contracts an investor is allowed based on trading volume and share quantity
	3/1/1986	3/1/1986	No Product	Failure to timely notify Chicago Board of Trade (CBOT) of employee's termination

UBS Financial Services FINRA Broker Check Report As of December 8, 2014

B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	10/1/1989	4/9/1990	No Product	Conduct was inconsistent with just and equitable principals of trade.
	9/1/1976	9/1/1976	Options	Allowed employee on CBOE floor without proper identification
	12/1/1982	12/1/1982	No Product	Violated fair practice rules
	5/1/1983	5/1/1983	No Product	Salesmen in the Atlanta office conducted transactions with Georgia residents without being registered in Georgia.
	6/1/1982	6/1/1982	No Product	Purported violation of Article X1 section 2(B) of Pacific Stock Exchange. This Exchange ceased operations in 2005. Additional information was not available.
	7/1/1985	7/1/1985	Options	Firm's trader on occasion traded options while in possession of information that a large block trade was imminent.

UBS Financial Services FINRA Broker Check Report As of December 8, 2014

B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	12/1/1991	12/1/1991	Other	Failed to report the termination of a registered rep within 30 days
	11/1/1988	11/1/1988	Municipal Debt	Failed to pay the underwriting assessment within 30 days of settlement
	6/1/1979	7/1/1979	No Product	Employee violated rules of fair practice
	3/1/1981	3/1/1981	No Product	Violated CBOE Business Conduct Rule
	10/1/1982	10/1/1982	No Product	Violated rules of fair practice
	8/1/1984	8/1/1984	Commodity Futures	Failure to properly record the correct half-hour bracket character for trades executed on the exchange floor
	10/1/1988	10/1/1988	Commodity Futures	Failed to properly time stamp order tickets

UBS Financial Services FINRA Broker Check Report As of December 8, 2014

B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	12/1/1981	12/1/1981	No Product	Four employees violated the Tennessee Code related to the regulation of broker-dealers, agents and advisors.
	4/1/1972	4/1/1972	No Product	Employees violated rules of fair practice.
	3/1/1981	3/1/1981	No Product	Failure to obtain prior approval from NASD to re-enter a quote
	6/29/1995	7/13/1995	Financial Futures	Failed to timely stamp and collect CBOT trading documents.
	12/1/1980	12/1/1980	No Product	Violation of SEC regulations that quarterly security counts to be made and rule regarding reserves and custody of securities, and NYSE rules regarding record keeping and compliance supervisors
	7/1/1980	7/1/1980	No Product	Failure to report volume on NASDAQ
	12/1/1982	12/1/1982	Common and Preferred Stock	Violated disclosure provision of Williams Act which defines the rules of acquisitions and tender offers

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B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	3/1/1987	3/1/1987	Commodity Futures	Violated National Futures Association and Commodities Futures Trading Commission rules by carrying accounts that were unregistered commodity pool operators and trading advisors acting for pool investors
	7/1/1984	7/1/1984	No Product	Failure to timely renew registration for 2 reps in Hawaii
	7/1/1982	7/1/1982	Options	Violated CBOE rules regarding records, reports and audits
	8/1/1988	8/1/1988	Mutual Funds	Two employees failed to disclose breakpoint situation to customer
	12/1/1988	12/1/1988	Government Debt	Failed to deliver US Treasury note on a timely basis
	7/1/1976	7/1/1976	No Product	Failed to properly register an employee in New Jersey
	2/1/1984	2/1/1984	No Product	Violated excess spread rules

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B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	7/1/1979	7/1/1979	No Product	Failure to register an employee in New Jersey
	8/1/1983	8/1/1983	No Product	Free-riding and withholding violations - underwriter withholds part of a new securities issue and later sells it at a higher price
	10/1/1984	10/1/1984	No Product	Did not file reports timely with CBOT
	4/1/1981	4/1/1981	Commodity Futures	Violated Commodity Exchange Emergency Rule
	5/1/1981	5/1/1981	No Product	Failure to get prior approval from NASD to re-enter a quote
	8/1/1971	8/1/1971	No Product	Failure to obtain prior approval for an off-floor trade
	6/1/1983	6/1/1983	No Product	Violated position limits
	12/1/1978	12/1/1978	No Product	Failure to properly register employee in New Jersey
	1/1/1984	1/1/1984	No Product	Failed to supervise a broker

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B	Disclosure Events Where Claim was Upheld			
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	12/1/1991	12/1/1991	No Product	Failure to properly register an employee in the District of Columbia
	5/1/1984	5/1/1984	No Product	Failure to establish and maintain procedures for securing floor order forms on the CBOT exchange floor
	12/1/1982	12/1/1982	No Product	Violated rules of fair practice
	3/1/1971	3/1/1971	No Product	Failed to supervise a former broker and office cashier
	11/1/1979	11/1/1979	No Product	Permitted an unregistered rep to transact business in Florida
	12/1/1983	12/1/1983	No Product	Failed to report NASDAQ volume
	9/1/1981	9/1/1981	No Product	Failed to meet Georgia registration requirements

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B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	7/1/1984	7/1/1984	No Product	Failure to register a rep who effected trades with residents of Tennessee
	12/1/1980	12/1/1980	No Product	Failure to report volume on NASDAQ
	12/1/1981	12/1/1981	No Product	Failure to adequately supervise a former branch manager
	2/7/1986	2/7/1986	No Product	Violated rules of fair practice
	3/1/1976	3/1/1976	No Product	Failure to exercise reasonable supervision over an employee
	3/1/1986	3/1/1986	Fixed Annuities	Violated Virginia code in connection with the marketing of single premium deferred annuities
	1/1/1971	1/1/1971	No Product	Violation of free riding and withholding rules
	4/1/1979	4/1/1979	Options	Violation of exchange position limits

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B	Disclosure Events Where Claim was Upheld			
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	1/1/1969	1/1/1969	No Product	Failure to properly supervise a former broker
	8/1/1988	9/30/1991	No Product	Two employees conducted business in Connecticut without being registered
	12/1/1981	12/1/1981	No Product	Two former branch managers violated rules of fair practice
	10/1/1988	10/1/1988	Commodity Futures	Failed to adequately supervise floor brokers trading activity
	3/1/1985	3/1/1985	Common and Preferred Stock	Failed to make immediate notification of a stock transfer to COMEX (Commodity Exchange merged with NY Mercantile Exchange) clearing associations
	10/21/1998	10/21/1998	No Product	Failed to record orders correctly, to provide written notification to customer, and to obtain the most favorable price possible

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B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	5/20/1988	3/27/1990	Other	Employee made unsuitable recommendation to client
	5/20/1988	3/27/1990	Mutual Funds	Failed to supervise a registered rep
	2/1/1986	2/1/1986	No Product	Failure to maintain commodity futures records
	9/23/1985	9/23/1985	Commodity Options	Failed to adequately disclose the risks of commodity futures to client
	6/29/2007	10/4/2007	Other	Failed to ensure the delivery of prospectus for certain transactions
	1/11/2006	1/11/2006	Mutual Funds	Firm failed to supervise brokers in New Jersey who, with their clients, engaged in deceptive market timing
	7/7/2004	7/7/2004	Sales Literature	Firm sent sales literature to customers which included targeted return rate without providing a sound basis so investors could evaluate it

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B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	6/28/2004	6/28/2004	Municipal Securities	Bids from a brokers broker to determine fair market value of a security were fair and reasonable
	10/14/2003	10/14/2003	No Product	Firm's system was not adequately designed to achieve compliance for short sales transactions
	1/1/1992	1/1/1992	Options	Position limit violation
	9/1/1982	9/1/1982	No Product	Violated rules of fair practice
	3/1/1991	3/1/1991	No Product	Position limit violation
	1/11/1988	10/1/1988	Commodity Futures	Failed to properly time stamp floor order ticket
	7/1/1972	7/1/1972	No Product	Failure to report volume on NASDAQ
	5/1/1985	5/1/1985	Commodity Futures	Violated clearing rule 703 to maintain liquid assets in its clearing account and coffee "C" rule regarding warehouse procedures and recordkeeping for the storage of exchange coffee.
	11/1/1988	11/1/1988	Options	Two brokers fined for unauthorized trading and failing to properly maintain records

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B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	7/31/1991	7/31/1991	Commodity Futures	Unauthorized trading in customer's account
	12/30/1992	9/12/1997	No Product	Unregistered investment advisory activities
	2/4/1999	2/4/1999	No Product	Failed to ensure that certain employees were properly registered
	11/24/1997	11/24/1997	No Product	Failed to execute 2 customer limit orders and failed to time stamp 3 order tickets
	6/10/1997	6/10/1997	OTC Equities	Violated passive market-making rule by entering a bid that was the highest independent bid
	3/20/1990	3/20/1990	No Product	Failed to supervise a registered rep
	2/8/1996	3/29/1999	No Product	Employed 2 unregistered investment advisors in Maryland
	7/29/1987	7/29/1987	OTC Equities	Failed to report NASDAQ volume

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B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	7/23/1985	2/20/1986	No Product	Failure to report a transaction to NASDAQ
	6/1/1972	6/1/1972	No Product	Failure to report volume on NASDAQ
	11/1/1977	11/1/1977	No Product	Failed to register an employee as a registered principal
	5/1/1983	5/1/1983	No Product	Violated rules of fair practice
	7/13/1994	10/25/1995	No Product	Firm incorrectly entered orders
	5/24/1994	5/24/1994	No Product	Failed to file audited financials timely
	11/1/1985	11/1/1985	No Product	Violated NASD free-riding and withholding interpretation
	11/23/1994	4/19/1994	OTC Equities	Entered NASDAQ quote containing excess spreads
	10/25/1993	10/25/1993	No Product	Registered rep was not properly registered in Maryland at all relevant times

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B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	3/31/1993	7/7/1993	OTC Equities	Entered quotes into NASDAQ containing excess spreads
	3/5/1993	3/5/1993	No Product	Unauthorized activity in customers' accounts and failed to keep accurate records
	11/18/1991	1/10/1992	No Product	Failure to supervise registered reps who made unsuitable purchases in customer's accounts
	1/16/1992	1/16/1992	Government Debt	Violated SEC rule regarding the distribution of government sponsored enterprises debt
	12/9/1991	12/9/1991	No Product	Employee that was terminated had solicited personal loans from clients
	6/27/1991	6/27/1991	Other	Failed to file an accurate U5 Form used by broker-dealers to terminate an individual's registration with the Securities and Exchange Commission (SEC). Did not indicate there was a customer complaint against a terminated employee.

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	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	9/11/1990	9/11/1990	No Product	Unlicensed agent sold securities in Idaho
	7/20/1989	7/17/1990	Other	Failed to supervise an employee who conducted unsuitable transactions in customer's account
	10/3/1986	1/27/1988	No Product	Failed to supervise registered rep
	12/7/1989	4/23/1990	OTC Equities	Entered quotes into NASDAQ with excess spreads
	11/24/1989	11/24/1989	Other	Firm did not promptly report to the NYSE that a claim by a customer was settled for an amount exceeding \$5,000
	3/23/1989	7/17/1990	Other	Failure to supervise registered rep in unsuitable transactions for a client
	1/1/1998	1/31/1998	No Product	Two employees were not properly registered in Connecticut
	10/6/1988	10/6/1988	Mutual Funds	Failed to notify customer of a breakpoint discount

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B Disclosure Events Where Claim was Upheld				
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	11/17/1988	11/17/1988	Municipal Debt	As an underwriter, failed to pay underwriting assessment to Municipal Securities Rulemaking Board (MSRB) within 30 calendar days of settlement date and to settle with syndicate within 60 days
	6/1/1985	6/1/1985	No Product	Did not promptly respond to a request from NASD for information and documents related to an investigation
	3/1/1988	3/1/1988	Options	Employee issued sales literature that did not adequately explain the risks of index option trading
	1//1989	1/1/1989	Municipal Debt	Allowed a newspaper ad to run that was not in conformity with MSRB rules
	6/29/1987	11/24/1987	OTC Equities	Failed to report NASDAQ volume
	8/1/1984	8/1/1984	No Product	Failed to supervise broker in connection with unsuitable transactions in client's account
	1/1/1984	1/1/1984	No Product	Violated free-riding and withholding interpretation

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C	Disclosure Events Where Firm Paid Fine Without Admitting or Denying the Findings			
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	11/3/2014	11/3/2014	Non-Investment Grade "Junk" Bonds	Firm sold Puerto Rico non-investment grade bonds to customers in amounts below the retail minimum denominations. Maximum denominations are intended to limit sales of municipal securities to retail customers for whom such bonds may not be suitable. There are some exceptions, but it did not apply in this instance.
	12/16/2013	12/16/2013	Options	Firm had a programming error that resulted in inaccurate reporting for option trades. Firm failed to maintain adequate system of supervisory procedures and monitoring.
	11/19/2013	11/19/2013	Municipal TRACE-Eligible Agency and Corporate Debt Securities	Firm failed to report Trade Reporting Compliance Engine (TRACE) eligible securities within 15 minutes of execution.

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C	Disclosure Events Where Firm Paid Fine Without Admitting or Denying the Findings			
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	10/29/2013	10/29/2013	Private Equity Funds	Firm failed to supervise a registered rep who made recommendations to a client that was inconsistent with the investment policy maintained by the client.
	6/1/2012	6/1/2012	Equities	Firm had a fail to deliver position in an equity short sale.
	5/1/2012	5/1/2012	Exchange-Traded Funds (ETFs)	Firm failed to supervise and provide written procedures on the sale of ETFs. These were unsuitable for certain retail customers.
	6/24/2008	3/7/2012	Auction Rate Securities (ARS)	Failure to supervise the sale of ARS
	2/22/2012	2/22/2012	Structured Notes	Failure to reasonable supervise the sale of structured products issued by Lehman Brothers
	6/24/2008	2/10/2012	ARS	Failure to supervise the sale of ARS in North Carolina

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C	Disclosure Events Where Firm Paid Fine Without Admitting or Denying the Findings			
	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	5/22/2008	10/26/2011	ARS	Same as above in New Hampshire
	9/30/2011	9/30/2011	Municipal Bonds	Firm failed to supervise cross trading of municipal bonds by retail customers where they are on both sides as buyer and seller.
	9/20/2011	9/20/2011	TRACE-Eligible Securities	Firm failed to report TRACE-eligible transaction within 15 minutes of execution
	4/10/2008	9/10/2010	ARS	Failure to supervise the sale of ARS in Nevada
	6/11/2008	8/16/2011	ARS	Same as above in Kansas
	6/17/2008	8/19/2011	ARS	Same as above in Minnesota
	12/8/2010	12/8/2010	ARS	Same as above in Oklahoma
	7/22/2008	9/24/2010	ARS	Same as above in South Carolina
	8/6/2008	5/25/2010	ARS	Same as above in Rhode Island

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	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	8/1/2008	12/14/2010	ARS	Same as above in Alaska
	7/22/2008	8/10/2011	ARS	Same as above in West Virginia
	8/7/2008	6/1/2010	ARS	Same as above in the Virgin Islands
	7/22/2008	12/8/2010	ARS	Same as above in Texas
	7/22/2008	5/17/2010	ARS	Same as above in Tennessee
	7/22/2008	6/25/2010	ARS	Same as above in Puerto Rico
	7/22/2008	4/27/2010	ARS	Same as above in New Mexico
	7/22/2008	7/8/2010	ARS	Same as above in Nebraska
	7/22/2008	7/7/2010	ARS	Same as above in Mississippi

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	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	7/22/2008	5/13/2010	ARS	Same as above in Michigan
	11/4/2010	11/5/2010	ARS	Same as above in Florida
	7/22/2008	11/16/2010	ARS	Same as above in Arkansas
	7/7/2011	7/7/2011	ARS	Same as above in District of Columbia
	9/21/2009	6/9/2011	Private Equity Funds	Claim that private equity funds were unsuitable for client
	11/14/2008	3/14/2011	ARS	Failure to supervise the sale of ARS in Maryland
	5/26/2011	5/26/2011	ARS	Same as above in Utah
	5/4/2011	5/6/2011	Municipal Bond Reinvestment	The temporary investment of bond proceeds made use of improper investment products

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	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	7/22/2008	4/13/2011	ARS	Failure to supervise the sale of ARS in Ohio
	4/11/2011	4/11/2011	Structured Products	Firm sold principal protection notes issued by Lehman Brothers that were unsuitable for certain investors. Firm failed to provide adequate supervision and training to those selling the products.
	5/27/2010	5/27/2010	ARS	Failure to supervise the sale of ARS in Washington
	2/15/2011	2/15/2011	ARS	Same as above in Pennsylvania
	10/6/2010	10/6/2010	ARS	Same as above in Oregon
	5/27/2010	2/3/2011	ARS	Same as above in New Jersey
	1/5/2011	1/5/2011	Corporate Debt	Firm failed to get as favorable as possible pricing for a client.

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	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	5/7/2008	7/8/2010	ARS	Failure to supervise the sale of ARS in Maine
	7/22/2008	7/7/2010	ARS	Same as above in Iowa
	5/21/2010	11/3/2010	ARS	Same as above in Georgia
	11/3/2010	11/3/2010	No Product	Employees acted as principles or representatives without the requisite registration
	7/22/2008	7/1/2010	ARS	Failure to supervise the sale of ARS in Delaware
	9/29/2010	9/29/2010	Fully Paid Securities Lending	Firm failed to supervise and maintain written procedures for the fully paid lending process where customers lent securities to the firm to cover short sales by other customers

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	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	5/26/2012	5/26/2010	ARS	Failed to supervise the sale of ARS in Connecticut
	6/2/2008	6/21/2010	ARS	Same as above in Alabama
	7/31/2008	5/19/2010	ARS	Same as above in Virginia
	7/22/2008	5/6/2010	ARS	Same as above in South Dakota
	7/22/2008	5/7/2010	ARS	Same as above in Montana
	7/22/2008	4/26/2010	ARS	Same as above in North Dakota
	7/1/2010	7/1/2010	Municipal Debt	An agent charged a customer a fee that was considered in excess of a fair and reasonable amount

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	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	7/22/2008	5/6/2010	ARS	Failure to supervise the sale of ARS in Louisiana
	6/6/2008	4/27/2010	ARS	Same as above in Kentucky
	7/22/2008	4/23/2010	ARS	Same as above in Indiana
	5/20/2008	4/27/2010	ARS	Same as above in Idaho
	7/22/2008	5/9/2010	ARS	Same as above in Colorado
	7/22/2008	4/23/2010	ARS	Same as above in California
	7/22/2008	5/17/2010	ARS	Same as above in Arizona
	5/13/2010	5/13/2010	ARS	Same as above in Missouri
	7/22/2008	3/4/2010	ARS	Same as above in Texas

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	<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
	1/20/2010	1/20/2010	No Product	Firm failed to get the most favorable price for a customer
	5/11/2009	5/20/2009	Variable Annuity	Firm failed to supervise registered reps who made unsuitable recommendations to clients
	6/3/2009	8/22/2011	Lehman Structured Products	Firm sold Lehman Structured products that were unsuitable for certain clients
	6/26/2009	6/26/2009	Closed End Funds (CEFs)	Firm did not have a system in place to detect short term trading in CEFs that were most suitable for long term investment
	6/16/2009	6/16/2009	No Product	Firm transmitted to OATS reportable events that were rejected for context or syntax errors.
	4/6/2009	4/6/2009	Trace-Eligible Securities	Firm failed to report trace transactions within 15 minutes of execution

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
6/26/2008	10/2/2008	ARS	Firm failed to supervise the sale of ARS in Massachusetts
2/28/2008	2/28/2008	Mutual Funds	Firms registered reps sold Class B and C mutual fund shares to customers while Class A shares would have been more advantageous.
2/26/2008	2/26/2008	Other	Firm failed to get the most favorable price for customer. The tickets for short sales were not properly marked.
12/3/2007	12/3/2007	Common & Preferred Stock and Mutual Funds	Firm failed to supervise two registered reps who unsuitably invested customers funds in Missouri
10/24/2001	10/24/2007	No Product	Firm did not file certain amendments to SEC registration form U4 and termination form U5 on a timely basis and did not have adequate supervisory systems in place
9/7/2007	9/7/2007	Other	Firm failed to get as favorable as possible prices for certain customers

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
4/16/2007	4/16/2007	Mutual Funds and Variable Insurance Products	Firm failed to implement adequate controls over market timing
2/1/2007	2/13/2007	No Products	Failure to supervise a financial advisor and to maintain certain books and records
11/3/2006	11/3/2006	Preferred Securities	Failed to obtain the most favorable pricing as possible for customers
5/30/2006	8/2/2006	Other	Firm was deficient in records keeping, supervision and review of customer accounts
11/15/2005	11/15/2005	Other	Firm failed to confirm a trade within 20 minutes after execution
5/6/2005	5/6/2005	Futures	Firm made unsuitable recommendations to customers in its futures fund and failed to maintain related records

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
2/25/2005	3/7/2005	CD	Firm provided inaccurate information regarding the features of callable CDs
10/15/2004	10/15/2004	Other	Firm failed to obtain the most favorable price possible for customer
12/10/2003	12/10/2003	Research	Firm's research analyst had a conflict of interest in issuing reports used by Missouri customers
3/19/2004	3/19/2004	Research	Same as above Iowa
9/10/2003	9/10/2003	Research	Same as above North Dakota
9/5/2003	9/5/2003	Research	Same as above Utah
2/20/2004	2/20/2004	Research	Same as above New Hampshire
12/15/2003	12/15/2003	Research	Same as above California

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
2/21/2004	2/21/2004	Research	Same as above North Carolina
2/23/2004	2/23/2004	Research	Same as above New Mexico
12/29/2003	12/29/2003	Research	Same as above West Virginia
12/17/2003	12/17/2003	Research	Same as above Nebraska
12/26/2003	12/26/2003	Research	Same as above Ohio
11/21/2003	11/21/2003	Research	Same as above Montana
12/30/2003	12/30/2003	Research	Same as above Pennsylvania
2/12/2004	2/12/2004	Mutual Funds	Firm failed to provide breakpoint discounts to customers
11/24/2003	11/24/2003	No Product	Firm failed to supervise a former broker in Massachusetts

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
11/14/2003	11/14/2003	Research	Firm's research analyst had a conflict of interest in issuing reports used by Virginia customers
11/5/2003	11/5/2003	Research	Same as above South Dakota
11/12/2003	11/12/2003	Research	Same as above Nevada
10/13/2003	10/13/2003	Research	Same as above Minnesota
11/21/2003	11/21/2003	Research	Same as above Maryland
11/19/2003	11/19/2003	Research	Same as above District of Columbia
10/9/2003	10/9/2003	Research	Same as above Wisconsin
10/8/2003	10/8/2003	Research	Same as above Massachusetts
10/9/2003	10/9/2003	Research	Same as above Kansas

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
10/8/2003	10/8/2003	Research	Same as above Indiana
9/29/2003	9/29/2003	Research	Same as above Alaska
9/29/2003	9/29/2003	Research	Same as above Tennessee
9/18/2003	9/18/2003	Research	Same as above Colorado
9/8/2003	9/8/2003	Research	Same as above New Jersey
9/29/2003	9/29/2003	Research	Same as above Puerto Rico
7/24/2003	9/29/2003	Research	Same as above Oregon
9/22/2003	9/22/2003	Research	Same as above Washington
9/23/2003	9/23/2003	Research	Same as above Vermont

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C Disclosure Events Where Firm Paid Fine Without Admitting or Denying the Findings

<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
9/22/2003	9/22/2003	Research	Same as above Rhode Island
9/18/2003	9/18/2003	Research	Same as above Mississippi
9/11/2003	9/11/2003	Research	Same as above Michigan
9/25/2003	9/25/2003	Research	Same as above Georgia
9/19/2003	9/19/2003	Research	Same as above Florida
9/9/2003	9/9/2003	Research	Same as above Wyoming
9/10/2003	9/10/2003	Research	Same as above Hawaii
9/11/2003	9/11/2003	Research	Same as above Delaware
9/17/2003	9/17/2003	Research	Same as above Texas

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
8/14/2003	8/14/2003	Research	Same as above Arkansas
8/25/2003	8/25/2003	Research	Same as above Maine
8/22/2003	8/22/2003	Research	Same as above Idaho
8/21/2003	8/21/2003	Research	Same as above Kentucky
8/21/2003	8/21/2003	Research	Same as above New York
8/21/2003	8/21/2003	Research	Same as above Alabama
8/20/2003	8/20/2003	No Product	Firm failed to supervise a former registered rep
4/28/2003	4/28/2003	Research	Firm's research analyst had a conflict of interest in issuing reports used by Arizona customers
4/28/2003	4/28/2003	Research	Same as above Oklahoma

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
4/28/2003	4/28/2003	Research	Same as above Illinois
4/28/2003	4/28/2003	Research	Same as above Connecticut
10/28/1999	1/24/2000	No Product	Firm caused a locked or crossed market condition when it failed to display customer limit orders. Crossed market is where bid price of a security exceeds ask price.
12/1/1985	12/1/1985	Options	Firm permitted a single client to exceed position limits in option transactions
5/1/1991	6/28/1991	Financial Futures	Firm accepted contemporaneous buy and sell orders for the same customer account in S & P stock index futures
3/13/1996	3/15/1996	No Product	Failure to reasonably supervise 3 former investment executives in Puerto Rico
10/8/1990	6/1/1991	No Product	2 employees did not follow Chicago Mercantile Exchange procedure in resolving an error

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C Disclosure Events Where Firm Paid Fine Without Admitting or Denying the Findings

<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
8/1/1991	8/1/1991	No Product	Firm did not amend form U5 timely to disclose that the terminated employee was under investigation
8/15/1991	5/21/1992	No Product	Failed to follow CBOT rules
6/1/1991	10/29/1991	No Product	Failed to record the specific accounts for orders prior to execution
2/1/1989	2/1/1989	Commodity Options	Firm and employee violated commodity exchange rules
9/1/1991	9/1/1991	No Product	Three brokers were rendering investment advisory services in Oklahoma without being registered as investment advisors
6/1/1991	9/26/1991	Commodity Futures	Firm transacted business with parties that were not registered with the commodity futures trading commission

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C Disclosure Events Where Firm Paid Fine Without Admitting or Denying the Findings

<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
4/1/1996	4/29/1996	Public Proprietary Direct Investment (PPDI)	Failed to supervise registered reps in the sales of PPDI in Massachusetts. Usually the purpose of a direct investment is to gain control of a company.
4/1/1996	4/26/1996	PPDI	Same as above in Wyoming
6/1/1996	6/20/1996	PPDI	Same as above in New York
4/1/1996	4/26/1996	PPDI	Same as above in Nebraska
5/1/1996	5/14/1996	PPDI	Same as above in Georgia
10/1/1996	10/23/1996	PPDI	Same as above in Kentucky
11/1/1996	11/19/1996	PPDI	Same as above in Maryland

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
5/1/1996	5/9/1996	Public Proprietary Direct Investment (PPDI)	Same as above New Jersey
4/1/1996	4/26/1996	PPDI	Same as above Maine
5/1/1997	5/29/1997	PPDI	Same as above Michigan
5/1/1996	5/29/1996	PPDI	Same as above Nevada
5/1/1996	5/1/1996	PPDI	Same as above South Carolina
4/1/1996	4/25/1996	PPDI	Same as above Oklahoma
4/1/1996	4/26/1996	PPDI	Same as above West Virginia
5/1/1996	5/2/1996	PPDI	Same as above District of Columbia

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
4/1/1996	4/29/1996	Public Proprietary Direct Investment (PPDI)	Same as above Indiana
10/1/1996	10/2/1996	PPDI	Same as above Puerto Rico
4/1/1996	4/26/1996	PPDI	Same as above Washington
4/1/1996	4/25/1996	PPDI	Same as above Delaware
4/1/1996	4/26/1996	PPDI	Same as above New Hampshire
6/1/1996	6/18/1996	PPDI	Same as above Colorado
4/26/1996	4/26/1996	PPDI	Same as above North Dakota
4/1/1996	4/29/1996	PPDI	Same as above Hawaii

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
12/1/1996	12/16/1996	Public Proprietary Direct Investment (PPDI)	Same as above Louisiana
4/1/1996	4/26/1996	PPDI	Same as above Mississippi
5/1/1996	5/24/1996	PPDI	Same as above Idaho
4/1/1996	4/25/1996	PPDI	Same as above Iowa
4/1/1996	4/29/1996	PPDI	Same as above North Carolina
6/1/1996	6/7/1996	PPDI	Same as above New Mexico
5/1/1996	5/14/1996	PPDI	Same as above Montana
4/1/1996	4/25/1996	PPDI	Same as above Arkansas
8/1/1996	8/16/1996	PPDI	Same as above Tennessee

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
4/1/1996	4/26/1996	Public Proprietary Direct Investment (PPDI)	Same as above Alaska
5/1/1996	5/20/1996	PPDI	Same as above Arizona
2/1/1993	2/18/1993	No Product	Failed to reasonably supervise reps engaged in sales practice abuse
5/1/1996	5/13/1996	PPDI	Failed to reasonably supervise reps in the sale of direct investments in Virginia
6/1/1996	6/6/1996	PPDI	Same as above Utah
12/1/1990	12/1/1990	No Product	Firm did not enforce proper floor procedures on the CBOT
9/1/1991	9/1/1991	No Product	Investment advisor's registration expired and he continue to transact business in Virginia

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C Disclosure Events Where Firm Paid Fine Without Admitting or Denying the Findings

<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
3/10/1989	3/10/1989	Commodity Futures	Failure to maintain and produce trading records and to adequately supervise members
1/1/1996	1/17/1996	PPDI	Failed to reasonably supervise reps
1/11/1999	1/11/1999	Common and Preferred Stock	Market making activities violated securities law
8/19/1998	12/4/1998	No Product	Failed to file U5 reports and amendments and other reportable matters including customer complaints
10/14/1998	11/23/1998	No Product	Filed U4 and U5 form that had mistakes
8/7/1998	8/7/1998	Call Options	Firm advised CBOE it was going to exercise call option on behalf of client and failed to send advisement to CBOE that transaction was cancelled
12/15/1997	12/15/1997	Municipal Debt	Acting as sole managing underwriter firm failed to timely submit official statement and other documents to MSRB

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
6/11/1996	6/18/1996	Public Proprietary Direct Investment (PPDI)	Firm failed to supervise registered reps in the sale of direct investments to customers in South Dakota
12/14/1994	12/14/1994	No Product	Employee in Michigan was unregistered
4/1/1992	4/1/1992	No Product	Unsuitability and unauthorized trading by a registered rep in Indiana
10/16/1996	5/12/1997	No Product	Computer entry error caused certain orders to be improperly coded as customer order
8/21/1996	8/21/1996	PPDI	Failed to supervise registered reps in sale of PPDI investments in Minnesota
7/23/1996	7/23/1996	PPDI	Same as above Missouri
4/24/1996	4/24/1996	PPDI	Same as above Oregon
6/14/1996	6/14/1996	PPDI	Same as above Florida

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
8/1/1996	8/2/1996	Public Proprietary Direct Investment (PPDI)	Same as above Wisconsin
9/20/1996	9/20/1996	No Product	Hired 4 employees who were not registered
8/1/1996	8/26/1996	PPDI	Failed to supervise registered reps selling direct investments in California
6/26/1996	6/26/1996	PPDI	Same as above Illinois
6/1/1996	6/13/1996	PPDI	Same as above Ohio
6/1/1996	6/18/1996	PPDI	Same as above Connecticut
6/7/1996	6/7/1996	PPDI	Same as above Rhode Island

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
5/9/1996	5/9/1996	Public Proprietary Direct Investment (PPDI)	Same as above Pennsylvania
11/15/1995	5/1/1997	No Product	Failed to execute 4 transactions
7/24/1995	10/31/1995	No Product	Incorrectly entered orders
9/27/1995	9/27/1995	PPDI	Failure to supervise registered reps selling PPDI investments in Vermont
4/19/1996	4/19/1996	PPDI	Same as above Kansas
4/19/1996	4/29/1996	PPDI	Same as above Alabama
4/22/1996	4/22/1996	PPDI	Same as above Texas
2/1/1996	2/20/1996	No Product	Operated 2 branch offices in Florida that were not licensed

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
1/30/1986	3/11/1987	Other	Firm violated National Futures Association requirements
12/1/1980	12/1/1980	No Product	Failure to meet net capital requirements, to notify the SEC and maintain proper records
1/30/1995	5/25/1995	No Product	Violated CBOE rule by crossing orders
2/17/1994	11/8/1994	OTC Equities	In connection with its passive market making activities, firm failed to reduce its bid on a security as required under SEC rules
4/1/1994	4/12/1994	No Product	Failure to pre-file advertisement and include pertinent language in the advertisement
2/1/1994	2/1/1994	No Product	Trading activity in Alabama office violated regulations
1/1/1994	1/1/1994	No Product	Failed to supervise 2 registered reps

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
12/28/1993	12/28/1993	No Product	Registered reps used sales literature that had not been properly reviewed and approved
6/1/1993	8/1/1993	OTC Equities	Entered quotes in NASDAQ system that were not reasonably related to the prevailing market
7/12/1993	7/12/1993	No Product	Failed to respond to customer complaints timely and to the amendments to U4 and U5 forms
2/18/1993	2/18/1993	Not Available	Failure to supervise registered reps who engaged in unauthorized customer account transactions, obtained loans from customers and misappropriated funds
2/1/1992	2/1/1992	OTC Equities	Firm was a market maker in the stock of a company and backed away from a market quote which it displayed on NASDAQ system
2/28/1992	2/28/1992	No Product	Firm operated as an unregistered investment advisor in Alabama

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<u>Date Initiated</u>	<u>Date Resolved</u>	<u>Product Type</u>	<u>Description</u>
1/2/1991	1/2/1991	No Product	Unregistered agent sold securities in Virginia
4/25/1989	4/25/1989	Options	Firm exceeded position limits
6/30/1989	6/30/1989	No Product	Failed to supervise a sales rep engaged in excessive trading activity
1/27/1989	1/27/1989	Options	Failed to supervise the options activity of a former registered rep
6/7/1985	6/7/1985	Common Preferred Stock	Firm held stock and option positions in a company shortly before it issued a researched report
3/11/1988	3/7/1985	Government Debt	Firm charged excessive markups and markdowns on the purchase and sale of US Treasury STRIPs