

**AGREEMENT FOR
UNDERWRITING / PLACEMENT AGENT SERVICES**

**CITY OF MERCED
Community Facilities District No. 2006-1 (Moraga of Merced)
Special Tax Refunding Bonds**

This Agreement, made and entered by and between the City of Merced (the “City”) and Brandis Tallman LLC (“BTLLC”) is for the purpose of establishing BTLLC as Underwriter or Placement Agent for the purpose of financing the City’s Community Facilities District No. 2006-1 (Moraga of Merced), Special Tax Refunding Bonds, (the “Financing”). Our fee for underwriting or placement agent services would be payable only if the Financing closed successfully, and would be paid out of bond proceeds upon closing. Our not-to-exceed underwriter’s discount or placement agent fee, including expenses, will be negotiated with the City’s municipal advisor. The City reserves the right to terminate this Agreement or reject the proposed Financing at any time.

SCOPE OF SERVICES

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

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

DEBT ISSUANCE SERVICES

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

- Develop Financing Schedule
- Monitor the Transaction Process
- Compute Sizing and Design Structure of the Financing
- Review Financing Documents
- Perform Detailed Review of Official Statement (underwriting only)
- Conduct Marketing and Distribution
- Prepare Market Commentary and Sales Comparables
- Prepare Lender RFP and Summarize Proposals (private placement only)
- Compile/Review of Disclosure Reports for Private Placement Distribution (if applicable)
- Structure Financing Terms
- Provide Pre-Closing, Closing, and Post-Closing Assistance

Specifically, BTLLC will:

1. Develop the Financing Schedule

BTLLC shall assist the City's municipal advisor in preparing a schedule and detailed description of the interconnected responsibilities of each team member and update this schedule, with refinements, as necessary, as the work progresses.

2. Monitor the Transaction Process

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

3. Compute Sizing and Design Structure of Debt Issue

BTLLC shall work with the City's staff and municipal advisor to design the Financing to be consistent with the City's objectives, reflecting current conditions in the capital markets. BTLLC will perform numerical iterations to provide examples of financing scenarios, prepare sources and uses of funds, debt service schedules and cash flow projections, as needed. BTLLC will also prepare pro formas and structure debt consistent with existing covenants and requirements.

4. Review Financing Documents

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

5. Perform Detailed Review of Official Statement (underwriting only)

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

- * Legal Authority for the Financing
- * Security for the Financing
- * Restrictions on Additional Financings
- * Purpose and Funds for which the Financing is Being Issued
- * Governmental and Financial Management System
- * Revenue Sources: Historic, Current and Projected
- * Outstanding Financings and Planned Future Financings
- * Economic Base
- * Annual Financial Statements and Budget
- * Legal Opinions Regarding Tax Exemption
- * Such Other Matters as the Context May Require

6. Conduct Marketing and Distribution

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

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

7. Prepare Market Commentary and Sale Comparables

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

8. Prepare Lender RFP and Summarize Proposals (private placement only)

BTLLC shall prepare a Request for Proposal to be distributed to all potential sophisticated investors, detailing the terms of the Financing and providing background information on the CFD and the City. BTLLC shall prepare an evaluation of each potential investor's response to the Request for Proposal, taking into consideration the proposed interest rates, bank fees, rate lock ability, and prepayment provisions.

9. Compile/Review of Disclosure Reports for Private Placement Distribution (if applicable)

BTLLC and the City's municipal advisor will be responsible, as deemed appropriate by bond counsel and the City, to compile and review disclosure information relating to the security of the Financing for distribution to sophisticated investors for private placements only.

10. Structure Financing Terms

Our goal is to achieve the best possible financing terms (which usually translates into the lowest cost of borrowing). These terms will be weighed and considered against what the lender or investors will accept (and at what price) and what works best for the City. Financing terms can include final maturity, call provisions, and additional debt considerations.

11. Provide Pre-Closing, Closing, and Post-Closing Assistance

BTLLC shall assist in arranging for the closing. BTLLC shall assist bond counsel in assuming responsibility for such arrangements as they are required, including arranging for or monitoring settlement of the costs of issuance. Post-closing, BTLLC will assist the City with continuing disclosure and CDIAC reporting.

Discussions regarding risk, BTLLC represents the following:

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

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

BRANDIS TALLMAN LLC

CITY OF MERCED

By _____

By _____

Date _____

Date _____

APPROVED AS TO FORM:


