CITY OF WEST DES MOINES
CITY COUNCIL MEETING COMMUNICATION

ITEM: Approving Assignment of Investment Management Agreement from Miles Capital, Inc. to Prudent Man Advisors LLC (PMA)

DATE: February 17, 2020

FINANCIAL IMPACT: None

BACKGROUND: On October 1, 2015, staff released and distributed a Banking and Ancillary Services RFP document, with a goal of obtaining efficient, effective banking & ancillary services which would enhance the City's overall cash management program while maintaining a high level of accountability. Following submittal of response documents by several qualified firms, a review committee consisting of staff as well as multiple representatives from NCP, Inc. (a financial consulting firm hired to assist with the process), recommended two service providers – West Bank for general banking services, and Miles Capital for investment management services. On December 28, 2015, the City Council moved and unanimously approved use of these providers for a period of no less than five years, as well as authorizing the Mayor and/or Finance Director to enter into agreements as needed to memorialize the specific types and scopes of services provided.

Subsequent to the Council's action, the City entered into a non-exclusive agreement with Miles Capital to provide investment management and custodial services. A condition of that agreement states that no future assignment may be made by either party without consent of the non-assigning party. As indicated in the attached letter, on January 27, 2020, Miles Capital agreed to sell its assets to Prudent Man Advisors LLC (dba PMA Financial Network). Following issuance of the latter, Miles representatives met with the City's Finance Director to provide an overview. Miles indicated that key local management staff will be retained by PMA and will continue to be assigned to the City's account, including Miles' Managing Director Amy Mitchell, who has been assigned to the City since the inception of the agreement. All fees and other terms of the agreement, including the custodian of the City's assets (US Bank) are not expected to change. The Finance Director has also vetted PMA recently, as a Trustee of the Iowa Public Agency Investment Trust (IPAIT), an organization which recently retained the services of PMA, and believes them to be a very reputable firm.

RECOMMENDATION: Council approve a motion which consents to assigning the Investment Management Agreement from Miles Capital, Inc. to Prudent Man Advisors LLC (PMA) and authorizes the Finance Director to sign the assignment consent agreement on behalf of the City.

Lead Staff Member: Tim Stiles, Finance Director

STAFF REVIEWS

Department Director	
Appropriations/Finance	
Legal	
Agenda Acceptance	HW

PUBLICATION(S) (if applicable)

Published In	
Dates(s) Published	

SUBCOMMITTEE REVIEW (if applicable)

Committee	Finance & Administration		
Date Reviewed	February 5, 2020		
Recommendation	Yes	No	Split

MILES *Capital*

RESULTS THAT MATTER

January 30, 2020

Tim Stiles
PO Box 65320
West Des Moines IA, 50265

Dear Tim:

On January 27, 2020, Miles Capital, Inc. announced that it had entered into an agreement to sell substantially all of the assets of Miles Capital to PMA Financial Network. It is anticipated that the sale will close on or about March 31.

We are excited about this transaction and what it means for you. Over its 37 year history, Miles Capital has built an outstanding record of client service and investment performance, leading to long client relationships, many exceeding 20 years. PMA shares this same client focus and integrity, having delivered outstanding service and performance to its clients since 1984. The acquisition by PMA means additional resources and talent to support your current Miles Capital team, which remains in place.

PMA is a premier full-service provider of comprehensive financial and advisory services to municipalities, school districts, other local government entities and insurance pools.
PMA and Miles Capital know each other well, having worked closely together on a number of client relationships for several years. Miles Capital's deep experience and competitive investment track records will be leveraged within PMA as we look to deliver to Miles' clients expanded support and services.

On behalf of Miles Capital, we would like to thank you for your business and for your relationship with the firm and we at PMA look forward to building on this history with you. **Our combined companies will continue to have a singular focus – helping you achieve your investment objectives.**

Under the laws relating to investment advisers, the sale will technically result in the "assignment" of your investment advisory agreement with Miles Capital to PMA. This letter seeks your consent to the assignment following the closing of the sale to permit Miles Capital to continue as your investment advisor. **Enclosed is a form of consent that we request you execute and return to us on or before March 16, 2020. If we do not hear from you or receive the consent from you by that date, we will conclude that you have consented.**

There is more information and lots of good news to come. For now, we ask that you execute the enclosed Client Consent Form and mail it to us, or scan your signed consent and email it to Courtney Clarke at cclarke@miles-capital.com.

MILES *Capital*

RESULTS THAT MATTER

Please do not hesitate to reach out to your primary relationship manager or call us personally if you have any questions or concerns. Our contact information is included below.

We are excited about this upcoming transaction and the opportunity it affords to serve your needs.

Sincerely,

David W. Miles
Chairman of the Board
Miles Capital
(515) 224-2718

James O. Davis
Chief Executive Officer
PMA Financial Network
(630) 657-6400 x6491

January 30, 2020

City of West Des Moines
Re: Request for Consent to Assignment of Contract

Dear Tim:

I am pleased to inform you of an expected sale (the "Transaction") of substantially all of the assets of Miles Capital, Inc. (the "Company" or "Miles Capital") to Prudent Man Advisors, LLC or an affiliate thereof ("PMA").

We do not expect the Transaction to have any material impact on the investment advisory services that you currently receive from the Company. The terms of your investment advisory agreement with the Company (your "Investment Advisory Agreement") will continue as they are following the consummation of the Transaction (the "Closing").

In connection with the Transaction, and subject to certain customary closing conditions, the Company will sell substantially all of its assets, including, without limitation, your Investment Advisory Agreement, to PMA, an investment adviser registered with the U.S. Securities and Exchange Commission (the "SEC") under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act"). PMA is an affiliate of PMA Securities, LLC, a broker-dealer registered with the SEC, and is primarily owned and controlled by a private fund advised by Estancia Capital Management, LLC. The Transaction is expected to close during the first quarter of 2020.

Miles Capital itself is registered as an investment adviser with the SEC under the Advisers Act and certain state securities regulators. Under definitions in the Advisers Act, the Transaction will result in an "assignment" (the "Assignment") of your Investment Advisory Agreement to PMA. In accordance with your Investment Advisory Agreement and the Advisers Act, we are writing to request your written consent to the Assignment.

Please check the box and sign the statement below before March 16, 2020, to confirm your consent to the Assignment and your desire to continue receiving the investment advisory services provided by the Company under the terms of your current Investment Advisory Agreement, as assigned to PMA, following the Closing. If we do not hear back from you within 45 days from your receipt of this letter and you continue to accept our services, you will be deemed to have provided your consent to the Transaction and the resulting Assignment of your Investment Advisory Agreement to PMA.

If you do not consent to the Assignment of your Investment Advisory Agreement as a result of the Transaction, please notify us within 45 days from your receipt of this letter (and in any event, no later than March 30, 2020) by contacting us at: 515.453.8400 or cclarke@miles-capital.com or by returning this notice via mail at 1415 28th Street, Suite 200, West Des Moines, IA 50266. The Company and your relationship manager will reach out to you to discuss any action you want to take in regard to your account(s).

In the event the Transaction is not consummated, we will notify you of such and the contents of this letter shall automatically become null and void.

☐ By checking this box, the undersigned client of the Company agrees and consents to the Assignment of its Investment Advisory Agreement to PMA and that this notice and the undersigned client's consent will be deemed to satisfy any notice or consent requirements contained in the client's Investment Advisory Agreement which arise, directly or indirectly, as a result of the Transaction.

☐ By checking this box, the undersigned client of the Company does **NOT** agree and consent to the Assignment of its Investment Advisory Agreement to PMA.

Name of Client (Print): _____

Signatory & Title (Print): _____

Signature: _____ Date: _____

FOR ERISA CLIENTS ONLY: The Company is also seeking, if applicable, your appointment of Prudent Man Advisors, LLC as an "investment manager" (within the meaning of Section 3(38) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) of your accounts that are currently managed by the Company that are subject to ERISA ("ERISA Plan Accounts"). Accordingly, by providing consent above, you also will be deemed to appoint Prudent Man Advisors, LLC, effective as of the consummation of the Transaction, as an "investment manager" within the meaning of Section 3(38) of ERISA with respect to your ERISA Plan Accounts. Effective as of the consummation of the Transaction, Prudent Man Advisors, LLC will acknowledge and accept its (i) appointment as an "investment manager" within the meaning of Section 3(38) of ERISA with respect to your ERISA Plan Accounts, and (ii) status as a "fiduciary" within the meaning of (A) Section 3(21) of ERISA with respect to your ERISA Plan Accounts and/or (B) Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to any accounts managed by the Company that are subject to Section 4975 of the Code. Finally, this notice is intended to update and supplement the prior fee disclosures provided with respect to ERISA Plan Accounts pursuant to Section 408(b)(2) of ERISA. As mentioned above Prudent Man Advisors, LLC will provide investment advisory services to you under the terms of your current Investment Advisory Agreement, as assigned to Prudent Man Advisors, LLC, following the Closing.[1]

If you have any questions, please contact the Company at:

Prudent Man Advisors, LLC
ATTN: Jim Davis, CEO
2135 City Gate Ln # 7
Naperville, IL 60563
JDavis@pmanetwork.com
Phone: (630) 393-9494

We are confident that Prudent Man Advisors, LLC will continue our legacy as a highly qualified advisory firm that provides a high level of service to its clients. We value your business and look forward to continuing to serve your investment needs.

Sincerely,

David W. Miles
Chairman of the Board
Miles Capital, Inc.

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1 Note to Draft: Subject to further review by ERISA counsel.