



SOUTH FEATHER WATER & POWER AGENCY

TO: Board of Directors

FROM: Michael Glaze, General Manager

DATE: October 21, 2008

**RE: Broker-of-Record Dispute – Lincoln Deferred Compensation Plans
10/28/08 Board of Directors Meeting**

Prior to 2003 the Agency's retirement program for its employees was comprised of two deferred compensation plans through ICMA and National Deferred, respectively. Neither of these plans, however, provided a local broker/representative that was available to provide investment advice and planning for our employees. Believing that wise management of each employee's deferred compensation retirement plan necessitated expertise in financial investing, we began looking for a plan that would better assist employees in optimizing their retirement fund opportunities.

We ultimately established a relationship with the Oroville office of A.G. Edwards & Sons, Inc. (now Wachovia Securities, and maybe something else before too long) and subsequently (October 2003) added Hartford Insurance Company's 457 and 401(a) retirement plans as a third option for employees. While the A.G. Edwards/Hartford plan was similar to the original two, it was different in that the A.G. Edwards brokerage firm and its local agents were available as-needed to employees on a one-on-one, no-additional-fee basis to provide assistance and to discuss personal financial and retirement planning issues.

In April 2007, Marc Miller and Jim Moll of the local A.G. Edwards & Sons office proposed adding Lincoln American Legacy's 457 and 401(a) retirement plans as companion plans to the other plan choices available to employees. Their recommendation was based on the fact that Lincoln's fees are almost half of Hartford's, and they believe that Lincoln offers "superior fund choices." After Mssrs. Miller and Moll explained their proposal to employees, employee representatives affirmed that all Hartford-plan participants were in favor of the addition. And, on May 22, 2007, the Board took action to make the Lincoln American Legacy deferred compensation plans available to employees.

Last month I received a letter from Marc Miller (copy attached) advising that he had left Wachovia Securities and moved to Merrill Lynch in their Chico branch, with an office in Oroville. He asked me to send a letter to Lincoln stating that he would continue to be the "advisor of record" for its deferred compensation plans. Subsequently, on September 24 and 25, I met with all Power Division employees at the Forbestown headquarters, with all Water Division field employees at the shop, and with all administrative, clerical and technical employees here in the office. I asked them all two questions. First: "Do you want Marc Miller, now with Merrill Lynch, to be your agent for the Lincoln deferred compensation plans?" Second: "Do you want the agents at Wachovia Securities in Oroville to be your agents for the Lincoln deferred compensation plans?" The response to the two questions was the same in all three meetings. No one raised their hand or spoke in favor of the first question. The second question was the only one that generated raised hands

or verbal affirmations.

Based on employee responses, I advised Lincoln that the agents in the Oroville Wachovia office would be the agents of record for its SFWPA deferred compensation plans.

Mr. Miller was not happy with my decision and asked to express his concerns to the Board of Directors. I invited him to attend this meeting, and I have also extended that same invitation to Jim Moll of the local Wachovia Securities office.

If, after hearing from Mr. Miller and Mr. Moll, you would like to honor Mr. Miller's request and designate him as agent of record for the Lincoln deferred compensation plans, you should consider taking the following action:

"I move authorization for Marc Miller of Merrill Lynch to be designated the Broker/Financial Representative for the Lincoln American Legacy 457(b) and 401(a) deferred compensation retirement plans available to Agency employees."



RECEIVED
SEP 18 2008
S.F.W.P.
OROVILLE OFFICE

Marc Miller
Assistant Vice President
Jennifer McFerrin
Client Associate

Global Private Client Group
2444 Cohasset Road
Chico, CA 95973
(530) 893-4499 (800) 505-8413

September 17, 2008

To Mike Glaze and the Board of Directors
South Feather Water & Power Agency
2310 Oro Quincy Highway.
Oroville, CA 95966

RE: Lincoln 457(b) and 401(a) plans

I am pleased to inform you that I have accepted an offer to join Merrill Lynch in their Chico branch with an office in Oroville in the Downer Business Center. The decision to make a change was not an easy one. But at Merrill Lynch, I will be part of one of the world's most respected and leading financial management and advisory firms. I am requesting to continue to be your advisor of record on your Lincoln 457(b) and 401 (a) plans. As you know, I have provided service to the participants in this and the previous Hartford plan. The assets in the plan are held at Lincoln. It is important to note that at no time did AG Edwards or Wachovia Securities hold the assets of your retirement plans therefore the primary relationship you have is with Lincoln and the secondary is with me as your advisor. Now that I am with Merrill Lynch, nothing has changed in respect to my relationship with Lincoln or my ability to serve as the advisor of your retirement plans. I am requesting to continue to represent Lincoln and your retirement plans without an interruption in the relationship. I have an office location in Oroville and will be able to meet clients there or at the different water division offices as I always have. I feel that Merrill Lynch will be a better fit for me and my clients now and in the future. I respect and appreciate the relationship that I have had with South Feather Water and Power and look forward to representing you as your advisor for years to come.

The administration process is as simple as a letter from you to Lincoln stating that I continue to be your advisor of record. I have included an example.

Sincerely,

Marc Miller
Assistant Vice President
Financial Advisor
Merrill Lynch Global Wealth Management
2444 Cohasset Road
Chico, CA 95973
530-893-8109

South Feather Water and Power

September 12th, 2008

Lincoln Legacy

To Whom It May Concern:

Effective immediately please change the broker/dealer on our 401(a) plan # _____ and 457 (b) plan # _____ to:

Marc Miller (41R2289)
Merrill Lynch
2444 Cohasset Road
Chico, CA 95973
(530) 893-8109

Please do not hesitate to contact us should you have any questions regarding this transaction.

Sincerely,
