

Lily Ng
Vice President



Government Banking Division
Relationship Manager

December 13, 2011

Mr. Steven Montagna, Senior Personnel Analyst, Deferred Compensation Plan
City of Los Angeles, Personnel Department, Employee Benefits Division
Room 867, City Hall
200 North Spring Street
Los Angeles, CA 90012

RE: FDIC Insured Employee Benefits Deposit Account – Bank of the West

Mr. Montagna,

In 2009, Bank of the West proposed to pay an indexed rate tied to the 91-Day T-Bill when the Bank entered into the FDIC Insured Employee Benefit Deposit Account program with the City of Los Angeles. To further enhance the program, the Bank proposed an introductory rate of 1%. Bank management intended for the 1% rate to reset after 6 months, but due to some internal miscommunication, the 6 month reset was not incorporated in the contract.

Due to a number of factors outside our control, which include 1) the increase in the cost of FDIC insurance, which Bank of the West is not passing on to the City employees; 2) the continued pressure on interest rate margins; 3) the reduction in high grade investment options to the Bank; 4) the increased costs associated with the new Dodd-Frank legislation; and 5) other impacts of the economy, Bank of the West is proposing to change the introductory rate from 1.00% to 0.75%. There would be no change to the base rate of the 91-Day T-Bill as originally proposed and the Bank would be able to accept a higher share of the program than the 33% which was the original weighting of the program.

The relationship with the City of Los Angeles is highly valued by Bank of the West, and we do not want to threaten this relationship. The Bank of the West proposal is designed to continue a mutually beneficial relationship as it does continue to provide employees an above average return in this unprecedented challenging period of our economy.

Bank of the West appreciates your consideration of this request.

Sincerely,

Lily Ng
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